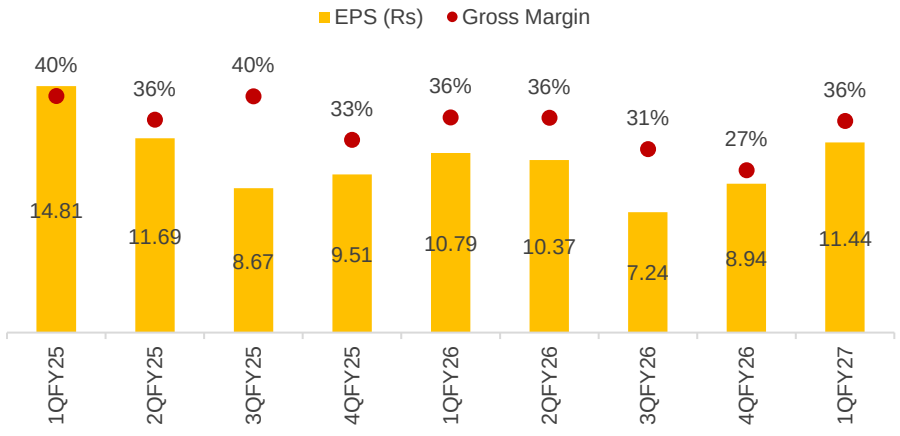
CHCC: Focus on diversification

- Cherat Cement Ltd (CHCC) held its analyst briefing to discuss key financial highlights and outlook. To recall, the company reported EPS of Rs37.3, down 16% YoY, largely owing to a 4% YoY drop in net sales on the back of an 56.6% fall in exports to Afghanistan. In 1QFY27, the company's profitability increased by 6%/28% YoY/QoQ.
- CHCC intends to acquire 70.86mn shares (64.07%) of Nimir Industrial Chemicals Limited (NICL), comprising a 51% stake from controlling shareholders and 13.07% from non-controlling shareholders, at Rs340/share, translating into an estimated cash outlay of Rs24.09bn. Management apprised that the acquisition is solely aimed at diversification and will be financed through internal cash (Rs16.5bn as of 1QFY27), with the remainder funded through a Rs15bn long-term loan.
- We maintain our Buy stance on the stock, with a TP of Rs350, implying 29% upside from current levels. The stock is also trading at an attractive FY27E P/E of 6.3x.

Afghan export woes weigh on FY26; QoQ recovery in 1QFY27

Cherat Cement Ltd (CHCC) held its analyst briefing to discuss its financial performance and business outlook. To recall, the company reported EPS of Rs37.3, down 16% YoY, primarily due to a 4% YoY decline in net sales, reflecting an 56.6% drop in exports to Afghanistan. In 1QFY27, profitability increased by 6%/28% YoY/QoQ, supported by strong domestic dispatches, which grew 7.2%/10.6% YoY/QoQ. Management attributed the QoQ improvement in gross margins (+8ppts) to normalized operations in 1QFY27, following plant shutdowns in 4QFY26 that had resulted in higher COGS/ton.

CHCC: Quarterly EPS & Gross profit trend



Source: Company accounts, JS Research

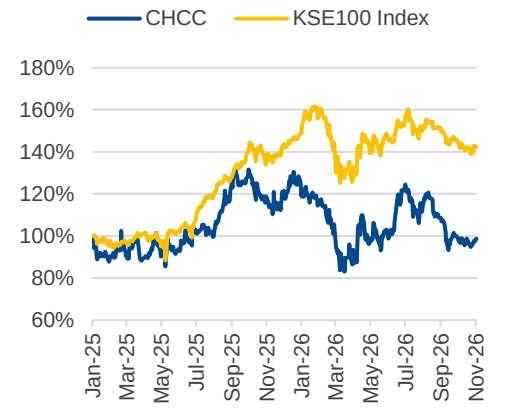
Diversification plans through NICL acquisition

CHCC intends to acquire 70.86mn shares (64.07%) of Nimir Industrial Chemicals Limited (NICL), comprising a 51% stake from controlling shareholders and 13.07% from non-controlling shareholders, at Rs340/share, translating into an estimated cash outlay of Rs24.09bn. Management apprised that the acquisition is solely

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Bloomberg Code: CHCC PA
Target Price: Rs350
Market Price: Rs270.96
Market Cap: Rs53bn, US$190mn
1-yr ADTO: 0.3mn shares, Rs99mn, US$0.4mn
1-yr High / Low: Rs365.43 / 231.50
Estimated free float: 116mn shares (60%)

CHCC performance relative to KSE100



Source: Company accounts, JS Research

aimed at diversification and will be financed through internal cash (Rs16.5bn as of 1QFY27), with the remainder funded through a Rs15bn long-term loan for 7 years.

Based on NICL's trailing four-quarter PAT, the acquisition translates into an earnings contribution of approximately Rs13.2/share for CHCC.

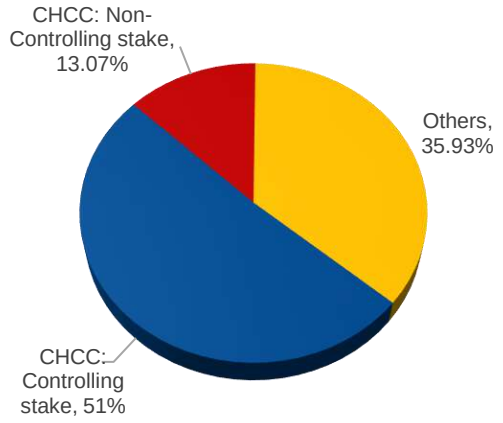
Core operations face challenges; Renewable focus remains

The company apprised that its average coal cost stood at around Rs41k/ton in FY26, with a fuel mix comprising 72% local, 16% Afghan and 12% imported coal, alongside 1% pet coke, compared to Rs52–53k/ton in 1QFY27. Currently, CFR prices of RB-2 coal have surged to US$153–154/ton, translating into a landed cost of Rs62–63k/ton at the plant, including inland freight of ~Rs14k/ton. Local Darra coal prices have also reached similar levels amid restrictions on explosives in KPK, with domestic prices broadly tracking the global energy price uptick. However, management highlighted that the company holds 1.5–2 months of low-cost inventory.

CHCC continues to expand its solar capacity, with plans to add 5MW by Dec-2026, alongside a 25MW BESS expected to come online by Mar-2027. Regarding the concessional PEDO tariff, management apprised that it previously stood at around half the grid rate (Rs15/kWh). However, uncertainty remains over the future tariff amid confusion around wheeling charges and line losses. PEDO currently contributes 3–4% to the company's overall power mix. Following the imposition of levies on gas and furnace oil in FY26, which increased their respective costs, the company shifted towards grid power, currently costing Rs35/kWh during peak hours and Rs29/kWh during off-peak hours.

We maintain our Buy stance on the stock, with a TP of Rs350, implying 29% upside from current levels. The stock is also trading at an attractive FY27E P/E of 6.3x.

NICL Shareholding structure (Post transaction)



Source: PSX, JS Research

CHCC: Key Statistics

(Rs mn)	FY25	FY26	FY27F
Sales	**37,811**	**36,483**	**42,819**
YoY Growth	-2%	-4%	17%
Gross Margin	37%	33%	30%
PAT	**8,681**	**7,255**	**8,303**
YoY Growth	58%	-16%	14%
EPS (Rs)	44.68	37.34	42.73
DPS (Rs)	5.50	5.50	6.25
P/E (x)	5.33	8.36	6.34
D/Y	2%	2%	2%

Source: Company accounts, JS Research
FY25 & FY26 multiples calculated on avg prices

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'Hold': Stock will perform in line with the average total return of stocks in our universe

'Sell': Stock will underperform the average total return of stocks in our universe

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