

Thatta Cement Company (THCCL)

Result Review

Notified Research Entity

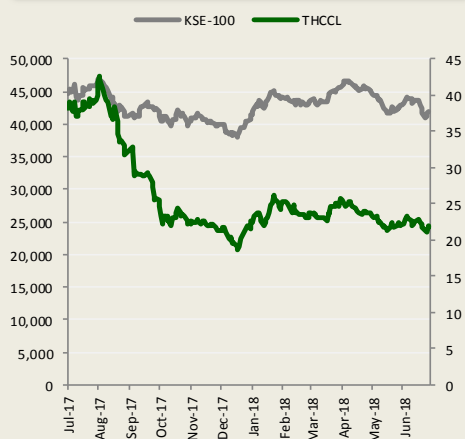
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KEY DATA

| | |
|-------------------------|--------|
| PSX Ticker | THCCL |
| Sector | Cement |
| Current Price PkR | 19.15 |
| Market Cap (PkR mn) | 1,910 |
| Market Cap (US\$ mn) | 15 |
| 52 weeks High | 29.22 |
| 52 weeks Low | 18.65 |
| Shares Outstanding (mn) | 99.72 |
| Free Float (mn) | 50% |

Source: PSX/Darson Research

RELATIVE PERFORMANCE



Massive decline in EPS by -39%YoY in FY18

Thatta Cement Company Limited (THCCL) announced its financial result for FY18, where the company declared earnings of PKR 357mn (EPS: PKR 3.58). Combined with the result the company also declared final cash dividend of PKR 1.44/share i.e. 14.40%.

The top-line of the company shed by -22%YoY to PKR 2,843mn on the back of decline in cement dispatches. Amidst FY18 gross profit deteriorated by -35%YoY to PKR 756mn as compared to corresponding period last year, in which it was PKR 1,163mn.

On the expenses front, THCCL reported massive decrease in selling & distribution costs by -30%YoY on the back of lower volumetric sales, while -17%YoY decline in administrative expenses and other operating expenses of the company plummeted by -4%YoY during the discussed period.

In addition, other income arrived at PKR 51mn down -39%YoY vis-à-vis PKR 84mn in same period last year. As far as finance cost is concerned it fell by -26%YoY. The possible reason for this decline could be deterioration in mark-up earned on loans & advances to subsidiaries, income on bank deposits and other income from non-financial assets.

Having said that, however, gross margins declined from 32% to 27% amid FY18, whereas, operating profit margin plunged from 26% to 20% and net profit margin dropped from 16% to 13%.

| PKR MN - Unconsolidated | FY'18 | FY'17 | YoY% |
|-------------------------------|------------|--------------|-------------|
| Sales - Net | 2,843 | 3,657 | -22% |
| Cost of Sales | 2,087 | 2,494 | -16% |
| Gross Profit | 756 | 1,163 | -35% |
| Selling and Distribution Cost | 70 | 101 | -30% |
| Administrative Expenses | 123 | 148 | -17% |
| Other Operating Expenses | 52 | 55 | -4% |
| Other Income | 51 | 84 | -39% |
| Operating Profit | 562 | 943 | -40% |
| Financial Cost | 65 | 88 | -26% |
| Profit Before Taxation | 497 | 855 | -42% |
| Taxation | 141 | 273 | -49% |
| Profit After Taxation | 357 | 582 | -39% |
| EPS | 3.58 | 5.84 | -39% |

Source: Darson Research, Company Accounts

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Rating System:

- | | |
|---|---------------------|
| If; | |
| • Expected return >15% | - Buy Call |
| • Expected Return is in between 0% to 15% | - Neutral/Hold Call |
| • Expected Return <0% | - Sell Call |

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

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