

## MIRA INFORM REPORT

Report No. :	540782
Report Date :	28.11.2018

### IDENTIFICATION DETAILS

Name :	CHERAT CEMENT COMPANY LIMITED
Registered Office :	Modern Motors House, Beaumont Road, Karachi - 75530
Country :	Pakistan
Financials (as on) :	30.06.2017
Date of Incorporation :	25.05.1981
Com. Reg. No.:	0008617
Legal Form :	Public limited company
Line of Business :	Subject is principally engaged in manufacturing, selling and marketing of cement
No. of Employees :	749

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

<b>MIRA's Rating :</b>	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Maximum Credit Limit :	USD 1,971
Status :	Good
Payment Behaviour :	Slow and delayed
Litigation :	Clear

### NOTES :

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Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Pakistan	B1	B1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**PAKISTAN - ECONOMIC OVERVIEW**

Decades of internal political disputes and low levels of foreign investment have led to underdevelopment in Pakistan. Pakistan has a large English-speaking population, with English-language skills less prevalent outside urban centers. Despite some progress in recent years in both security and energy, a challenging security environment, electricity shortages, and a burdensome investment climate have traditionally deterred investors. Agriculture accounts for one-fifth of output and two-fifths of employment. Textiles and apparel account for more than half of Pakistan's export earnings; Pakistan's failure to diversify its exports has left the country vulnerable to shifts in world demand. Pakistan's GDP growth has gradually increased since 2012, and was 5.3% in 2017. Official unemployment was 6% in 2017, but this fails to capture the true picture, because much of the economy is informal and underemployment remains high. Human development continues to lag behind most of the region.

In 2013, Pakistan embarked on a \$6.3 billion IMF Extended Fund Facility, which focused on reducing energy shortages, stabilizing public finances, increasing revenue collection, and improving its balance of payments position. The program concluded in September 2016. Although Pakistan missed several structural reform criteria, it restored macroeconomic stability, improved its credit rating, and boosted growth. The Pakistani rupee has remained relatively stable against the US dollar since 2015, though it declined about 10% between November 2017 and March 2018. Balance of payments concerns have reemerged, however, as a result of a significant increase in imports and weak export and remittance growth.

Pakistan must continue to address several longstanding issues, including expanding investment in education, healthcare, and sanitation; adapting to the effects of climate change and natural disasters; improving the country's business environment; and widening the country's tax base. Given demographic challenges, Pakistan's leadership will be pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population, much of which is under the age of 25.

In an effort to boost development, Pakistan and China are implementing the "China-Pakistan Economic Corridor" (CPEC) with \$60 billion in investments targeted towards energy and other infrastructure projects. Pakistan believes CPEC investments will enable growth rates of over 6% of GDP by laying the groundwork for increased exports. CPEC-related obligations, however, have raised IMF concern about Pakistan's capital outflows and external financing needs over the medium term.

Source : CIA

## **COMPANY NAME**

**Business Name**            CHERAT CEMENT COMPANY LIMITED

## **FULL ADDRESS**

### **Registered Address**

Modern Motors House, Beaumont Road, Karachi - 75530, Pakistan

**Tel #**            92 (21) 35683567, 35683566

**Fax #**            92 (21) 35683425

## **SHORT DESCRIPTION OF BUSINESS**

- |    |                           |                                                                       |
|----|---------------------------|-----------------------------------------------------------------------|
| a. | <b>Nature of Business</b> | Principally engaged in manufacturing, selling and marketing of cement |
| b. | <b>Year Established</b>   | May 25, 1981                                                          |
| c. | <b>Registration No.</b>   | 0008617                                                               |

## **SALES OFFICE**

(1) 1<sup>st</sup> Floor, Betani Arcade, Jamrud Road, Peshawar, Khyber Pakhtoonkwa, Pakistan.

(2) 3, Sunder Das Road, Lahore, Pakistan.

(3) 1st Floor, Razia Sharif Plaza Jinnah Avenue, 91 Blue Area, Islamabad, Pakistan.

## **FACTORY LOCATION**

Village Lakrai, P.O. Box 28,  
Nowshera, Pakistan

## **AUDITORS**

EY Ford Rhodes  
(Chartered Accountants)

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## **LEGAL STATUS**

The Company was incorporated in Pakistan as a public limited company by shares in the year 1981. The Company started commercial production in May 1985 and is listed at Pakistan Stock Exchange.

## **DETAILS OF MANAGEMENT**

<b>Names</b>	<b>Designation</b>
Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director
Mr. Shamshad Nabi	Director
Mr. Asif Qadir	Director

## **CATEGORIES OF SHAREHOLDERS**

<b>Categories</b>	<b>Shareholding (%)</b>
Directors, their spouses(s) and minor children	5.00
Associated Companies, Undertakings and related parties	25.00
Executives	---
Public Sector Companies & Corporations	---
Banks, Development Finance	

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Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds	10.00
Mutual Funds	20.00
General Public	35.00
Others	5.00

## **ASSOCIATES**

### **A. SUBSIDIARY**

None

### **B. ASSOCIATED COMPANIES**

- (1) Faruque (Pvt) Limited, Pakistan.
- (2) Cherat Papersack Limited, Pakistan.
- (3) Cherat Electric Limited, Pakistan.
- (4) Mirpurkhas Sugar Mills Limited, Pakistan.
- (5) Greaves Pakistan (Pvt.) Limited, Pakistan.
- (6) Greaves Airconditioning (Pvt.) Ltd, Pakistan.
- (7) Greaves CNG (Pvt.) Ltd, Pakistan.
- (8) Cherat Packaging Limited, Pakistan.
- (9) Madian Hydropower Limited, Pakistan.
- (10) Zensoft (Pvt) Limited, Pakistan.
- (11) Greaves Engineering (Pvt.) Limited, Pakistan.
- (12) Unicol Limited, Pakistan.

## **BUSINESS ACTIVITIES**

Principally engaged in manufacture, marketing & sale of Cement

## **NUMBER OF EMPLOYEES**

749

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## **CAPACITY - CLINKER**

The comparative production figures of clinker and cement are stated under:

	<b>2017 (In tons)</b>	<b>2016 (In tons)</b>
Annual installed capacity	2,260,000	1,000,000
Cement	1,518,520	897,440

### **Note:**

Actual production is less than the installed capacity due to planned maintenance shut down and in line with the industry demand.

## **ANNUAL SALES VOLUME**

<b>Years</b>	<b>(In Pak Rupees)</b>
<b>2014</b>	6,451,330,000/-
<b>2015</b>	6,565,416,000/-
<b>2016</b>	7,079,368,000/-
<b>2017</b>	9,645,399,000/-

## **TRADE SUPPLIERS (FOREIGN)**

Subject import globally from Companies belongs to Malaysia, Thailand, China, Korea, Taiwan, U.S.A. & European Countries. Its global trade suppliers are Companies related to Raw Materials, Machineries

## **DISTRIBUTION NETWORK**

Mainly exist at major cities of Pakistan

## **BANKERS**

- (1) Allied Bank Ltd, Pakistan.
- (2) Bank Al Habib Ltd, Pakistan.
- (3) Bank Alfalah Ltd, Pakistan

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- (4) Dubai Islamic Bank Pakistan Ltd, Pakistan.
- (5) Faysal Bank Ltd, Pakistan.
- (6) Habib Bank Ltd, Pakistan.
- (7) MCB Bank Ltd, Pakistan.
- (8) Meezan Bank Ltd, Pakistan.
- (9) National Bank of Pakistan.
- (10) NIB Bank Ltd, Pakistan.
- (11) Samba Bank Ltd, Pakistan.
- (12) Standard Chartered Bank (Pakistan) Ltd.
- (13) Soneri Bank Ltd, Pakistan.
- (14) The Bank of Punjab, Pakistan.

## **OVERVIEW**

A noticeable economic turnaround has been witnessed by Pakistan over the last few years following the implementation of a growth oriented agenda. The economic policies being pursued by the present government is having a positive impact on all major industrial sectors including cement, which remains one of the top performers in the country. Greater PSDP spending by the government for development of infrastructure network and initiation of work on CPEC projects has resulted in a growth in the cement demand in the country. Furthermore, rise in private sector spending on construction of housing and commercial projects has also boosted the demand for cement. While domestic demand was strong and increased by nearly 8%, exports declined by 21% mainly due to drop in exports via sea and to Afghanistan. During the year, the Pakistani cement industry grew by 3.71% over last year

## **FINANCIAL PERFORMANCE**

Following an increase in cement dispatches, the sales revenue of the company also rose by around 36% i.e. Rs. 2.57 billion over last year. During the year, there was an increase in costs of production due to rise in international prices of coal and oil, which led to increase in variable costs. Furthermore, the company has also recorded depreciation expense and finance cost pertaining to Cement Line II, which were capitalized during the year. The company has started to realize the benefits of economies of scale following the expansion of cement line II. There was an increase in the other income from last year on account of receipt of dividend income on investments made by the company, sale of scrap material, and reversal of provision made against Workers Welfare Fund made in previous years following the decision of the Honorable Supreme Court in favor of the taxpayers. The company has availed the benefit of tax exemption announced by the government for investment in Khyber Pakhtunkhwa and Baluchistan provinces for the Cement Line II and the tax provision has been made accordingly. For the year ended June 30, 2017 the company has posted a historical after tax profit of Rs. 1.95 billion.

## **EXPANSION OF CEMENT PLANT**

Work on the expansion of production capacity is in full swing and is progressing on schedule. The Company has awarded the civil and fabrication contracts to the contractors and has also placed the order for a WHR plant. The

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expansion project of the Company is benefiting from recent decline in discount rates and stable foreign currency exchange rates.

## **CONTRIBUTION TO NATIONAL EXCHEQUER**

The company contributed around Rs. 4.50 billion to the government treasury in shape of taxes, excise duty, income tax and sales tax.

## **FUTURE PROSPECTS**

There has been a significant improvement in the investors' confidence in the country, which is reflected from the performance of the industrial sector. This has also been acknowledged by leading rating agencies and international financial institutions. The cement industry is benefiting from stable economic outlook, low interest rates and greater outlay of PSDP by the government for constructing highways, dams, energy and housing projects. The demand for cement is also getting a major boost from projects under Pak China Economic Corridor. Increase in spending by private sector particularly in construction of housing projects and shopping malls are also fueling the demand for cement. It is, therefore, expected that the domestic demand shall increase considerably and play a vital role in higher cement dispatches in both the medium and long-term. In such a scenario, addition of new cement line at existing location by the company will not only enhance its domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs.

## **MEMBERSHIPS**

- KCCI
- APCMA
- FPCCI

## **COMMENTS**

**Ghulam Faruque Group** enjoys excellent credibility in the Pakistani Business Circle. The Subject Group is engaged in diversified activities which include Cement, Paper, Power Generation, Sugar Manufacturing & Information Technology etc. Group is well known and directors are resourceful and experienced businessmen. Trade relations are reported as fair.

In view of current disturbed economic and political situation, we would advise to deal with all the business in Pakistan with some caution.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 70.91
UK Pound	1	INR 90.84
Euro	1	INR 80.42
PKR	1	INR 0.52

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	NIY
<b>Report Prepared by :</b>	SYL

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)