

Equity Research | Cement | Wednesday, 10 February, 2021

CHCC has announced its 1HFY21 result where it posted profit after tax of Rs1.1bn (EPS: Rs5.81) as compared to a loss after tax of Rs560mn (LPS: Rs2.88) in the same period last year, up by 302% YoY.

Despite winter season, the company has posted a revenue of Rs11.6bn against Rs9.5bn in SPLY, recording a growth of 21.8% YoY.

The gross margin has been improved enormously to 23.8% as compared to 6.9% in SPLY due to increase in retention prices. SG&A expenses have slightly decreased by 0.6% YoY to Rs325mn as compared to Rs327mn during SPLY.

Other income has also slightly declined by 0.5% YoY, however, a decrease in finance cost by 29.3% YoY reinforced the bottom-line.

Going forward, we expect the offtake to increase further as a result of improved economic activity, and the government's focus on the construction industry. CHCC is currently trading at a FY21E P/B of 2.62x which offers a discount of 18% relative to its historical 5-year average of 3.19. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs210 which provides an upside potential of 23%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	6,371	5,031	26.6% ▲	11,589	9,512	21.8% ▲
Cost of Sales	-4,721	-4,562	3.5% ▲	-8,827	-8,854	0.3% ▼
Gross Profit	1,650	469	251.7% ▲	2,761	657	320.0% ▲
SG&A Expenses	-173	-164	5.5% ▲	-325	-327	0.6% ▼
Other Expenses	-61	-7	792.4% ▲	-86	-9	809.3% ▲
Operating Profit	1,416	299	374.3% ▲	2,350	320	633.2% ▲
Other Income	40	28	46.0% ▲	48	49	0.5% ▼
Finance Cost	-363	-658	44.9% ▼	-885	-1,252	29.3% ▼
Profit Before Taxation	1,094	-332	429.9% ▲	1,514	-882	271.5% ▲
Taxation	-274	110	349.4% ▲	-385	322	219.4% ▼
Profit After Taxation	820	-222	469.8% ▲	1,129	-560	301.5% ▲
Earnings Per Share	4.22	-1.14	469.8% ▲	5.81	-2.88	301.5% ▲
Dividend	1.00	0.00		1.00	0.00	
Bonus	0%	0%		0.00	0%	

Closing Period: 16 Mar 2021 - 22 Mar 2021

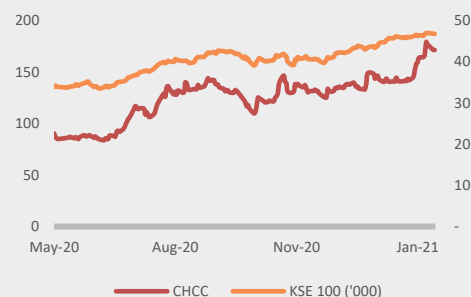
Gross Margin	25.9%	9.3%	16.6% ▲	23.8%	6.9%	16.9% ▲
SG&A Expenses to Sales	-2.7%	-3.3%	0.5% ▼	-2.8%	-3.4%	0.6% ▼
Other Income to Sales	0.6%	0.6%	0.1% ▲	0.4%	0.5%	0.1% ▼
Ex. Gain / (Loss) to Sales	-2.7%	-3.3%	0.5% ▼	-2.8%	-3.4%	0.6% ▼
Effective Taxation	-25.1%	-33.2%	8.1% ▼	-25.4%	-36.5%	11.1% ▼
Net Margin	12.9%	-4.4%	17.3% ▲	9.7%	-5.9%	15.6% ▲

Source: ACPL Research, Company Financials

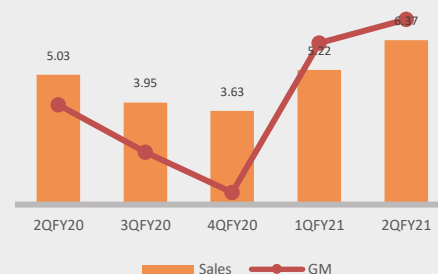
Key Statistics

Symbol	CHCC
TP - Dec 21	210.00
LDGP	171.14
Upside (%)	23
Free Float ('mn)	107
Market Cap. (Rs.'mn)	33,252

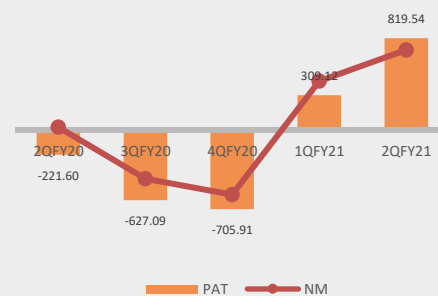
CHCC vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	6,565	7,079	9,645	14,388	15,863	17,090	22,469	24,497	26,712
Cost of sale	4,582	4,445	6,432	11,249	12,980	16,704	16,558	17,872	19,355
Gross profit	1,984	2,634	3,213	3,139	2,883	386	5,911	6,625	7,357
Selling and promotion expenses	206	234	280	337	396	362	382	416	454
Administration expenses	164	192	225	245	294	272	270	294	321
Other operating expenses	105	156	143	134	109	19	225	207	191
Operating Profit	1,508	2,052	2,565	2,423	2,083	- 266	5,034	5,708	6,391
Other operating income	201	43	133	81	107	71	90	98	107
Finance cost	38	44	188	357	1,143	2,527	1,616	1,343	1,002
Profit before taxation	1,671	2,051	2,510	2,147	1,048	- 2,723	3,508	4,463	5,496
Taxation	383	646	553	15	- 715	- 830	874	1,104	1,351
Profit after taxation	1,288	1,405	1,957	2,132	1,763	- 1,893	2,634	3,358	4,145
EPS	6.63	7.23	10.07	10.97	9.07	- 9.74	13.56	17.28	21.34

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	1.8%	7.8%	36.2%	49.2%	10.2%	7.7%	31.5%	9.0%	9.0%
Cost of sale	5.4%	-3.0%	44.7%	74.9%	15.4%	28.7%	-0.9%	7.9%	8.3%
Gross profit	-5.7%	32.8%	22.0%	-2.3%	-8.2%	-86.6%	1429.3%	12.1%	11.1%
Selling and promotion expenses	9.2%	13.8%	19.5%	20.4%	17.6%	-8.7%	5.5%	9.0%	9.0%
Administration expenses	16.2%	17.0%	17.1%	9.0%	19.8%	-7.5%	-0.8%	9.0%	9.0%
Other operating expenses	-20.7%	47.8%	-8.0%	-6.6%	-18.4%	-82.6%	1081.0%	-8.0%	-7.6%
Operating Profit	-8.0%	36.1%	25.0%	-5.5%	-14.0%	-112.8%	1990.5%	13.4%	12.0%
Other operating income	162.5%	-78.4%	207.7%	-39.2%	31.7%	-34.0%	27.4%	9.0%	9.0%
Finance cost	31.7%	15.5%	330.6%	89.5%	220.4%	121.2%	-36.1%	-16.9%	-25.4%
Profit before taxation	-1.0%	22.8%	22.3%	-14.4%	-51.2%	-359.9%	228.9%	27.2%	23.2%
Taxation	3.1%	68.7%	-14.4%	-97.2%	-4789.1%	-16.0%	205.4%	26.4%	22.3%
Profit after taxation	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	239.2%	27.5%	23.4%
EPS	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	239.2%	27.5%	23.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	30.21	37.21	33.31	21.82	18.18	2.26	26.31	27.04	27.54	27.40
NP Margin	19.62	19.85	20.28	14.82	11.11	-11.08	11.72	13.71	15.52	14.52
OP Margin	22.97	28.98	26.59	16.84	13.13	-1.56	22.41	23.30	23.93	22.96
ROE	16.05	15.37	18.70	19.08	14.99	-18.83	20.76	21.19	20.88	20.11
ROCE	14.91	10.29	12.05	7.94	6.06	-7.00	11.13	14.49	17.12	16.28
ROA	13.61	9.09	10.40	6.99	5.00	-5.75	8.28	9.96	11.01	10.56
Cost per ton	4.81	4.14	4.47	4.42	5.39	4.86	4.64	4.73	4.85	4.86
EBITDA per ton	1.63	2.19	2.10	1.40	1.34	0.42	1.75	1.82	1.88	1.85
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	2.74	1.11	1.78	1.72	1.31	1.14	0.64	0.90	1.45	1.20
Acid-test	1.21	0.56	0.93	0.83	0.62	0.70	0.37	0.62	1.15	0.90
Cash to current liab.	0.02	0.01	0.02	0.01	0.00	0.01	-0.03	0.20	0.66	0.43
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Average Inventory	417	384	574	799	1,011	1,115	958	992	1,073	1,032
Inventory Turnover	11	12	11	14	13	15	17	18	18	18
Inventory Days	33	32	33	26	28	24	21	20	20	20
Receivables Days		0	0	5	5	7	6	6	6	6
Payables Days	52	119	46	65	52	47	55	55	55	55
Operating Cycle	-19	-87	-9	-34	-17	-16	-27	-28	-28	-28
Utilization	93	99	61	101	55	75	79	83	88	84
Export Revenue	29	21	13	12	14	14	15	15	16	16
Local Revenue	71	79	87	88	86	86	85	85	84	84
Export Market Share	6	6	6	10	14	24	26	29	32	32
Local Market Share	3	3	5	7	7	8	8	8	7	7
Total Market Share	3	3	4	5	5	7	7	6	6	6
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS	6.63	7.23	10.07	10.97	9.07	-9.74	13.56	17.28	21.34	19.18
DPS	3.00	3.25	4.50	5.00	1.00	0.00	1.00	0.75	3.00	3.00
Div. Yield	1.75	1.90	2.63	2.92	0.58	0.00	0.58	0.44	1.75	2.15
Dividend Cover	2.21	2.23	2.24	2.19	9.07	0.00	13.56	23.05	7.11	6.39
BVPS	41.31	47.04	53.84	57.51	60.51	51.74	65.30	81.59	102.17	95.36
Payout	45.25	44.94	44.69	45.56	11.02	0.00	7.38	4.34	14.06	15.64
Retention	54.75	55.06	55.31	54.44	88.98	100.00	92.62	95.66	85.94	84.36
No. of Shares	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E	25.81	23.66	16.99	15.60	18.86	0.00	12.62	9.90	8.02	7.26
Sales per share	33.79	36.44	49.64	74.05	81.64	87.96	115.64	126.08	137.48	132.10
P/BV	4.14	3.64	3.18	2.98	2.83	3.31	2.62	2.10	1.68	1.46
Price to Sales	5.06	4.70	3.45	2.31	2.10	1.95	1.48	1.36	1.24	1.05
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	0.03	0.46	0.61	1.44	1.75	1.99	1.37	0.86	0.50	0.54
L.T. Debt to Equity	0.02	0.44	0.47	1.35	1.51	1.73	1.16	0.69	0.37	0.39
Interest Cover	39.84	46.94	13.63	6.79	1.82	-0.11	3.12	4.25	6.38	5.88

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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