

CHCC has announced its 1HFY23 result where it posted a profit after tax of Rs3.04bn (EPS: Rs15.64) as compared to a profit after tax of Rs2.37bn (EPS: Rs12.20) in the same period last year, up by 28.2% YoY amid higher retention prices in addition to an increase in dispatches takeoff during the second quarter.

The company has posted a revenue of Rs19.46bn against Rs14.78bn in SPLY, recording a growth of 31.7% YoY. The gross margin has been improved to 30.3% as compared to 28.1% in SPLY amid the procurement of coal at lower prices in addition to lower freight costs. SG&A expenses have increased by 17.8% YoY to Rs483mn. Furthermore, other income has decreased by 57% to Rs124mn. Moreover, finance costs went up by 66.7% to Rs1bn due to an increase in interest rates. In addition, the effective taxation increased to 29.3% as compared to 26.6% in SPLY.

CHCC is currently trading at a FY23E P/E of 3.59x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs140 which provides an upside potential of 29%. Further, the scrip also provides a dividend yield of 3.7% which makes the total return of 33%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	10,408	7,618	36.6% ▲	19,457	14,779	31.7% ▲
Cost of Sales	-7,416	-5,539	33.9% ▲	-13,571	-10,621	27.8% ▲
Gross Profit	2,991	2,079	43.9% ▲	5,886	4,158	41.6% ▲
SG&A Expenses	-247	-214	15.5% ▲	-483	-411	17.8% ▲
Other Expenses	-128	-71	80.0% ▲	-230	-205	12.5% ▲
Operating Profit	2,616	1,794	45.9% ▲	5,173	3,543	46.0% ▲
Other Income	69	132	47.7% ▼	124	289	57.0% ▼
Finance Cost	-521	-301	72.7% ▲	-1,001	-600	66.7% ▲
Profit Before Taxation	2,165	1,624	33.3% ▲	4,296	3,231	33.0% ▲
Taxation	-609	-447	36.3% ▲	-1,258	-861	46.1% ▲
Profit After Taxation	1,556	1,177	32.1% ▲	3,038	2,370	28.2% ▲
Earnings Per Share	8.01	6.06	32.1% ▲	15.64	12.20	28.2% ▲
Dividend	0.00	0.00	-	0.00	0.00	
Bonus	0%	0%		0.00	0%	
Gross Margin	28.7%	27.3%	1.5% ▲	30.3%	28.1%	2.1% ▲
SG&A Expenses to Sales	-2.4%	-2.8%	0.4% ▼	-2.5%	-2.8%	0.3% ▼
Other Income to Sales	0.7%	1.7%	1.1% ▼	0.6%	2.0%	1.3% ▼
Ex. Gain / (Loss) to Sales	-2.4%	-2.8%	0.4% ▼	-2.5%	-2.8%	0.3% ▼
Effective Taxation	-28.1%	-27.5%	0.6% ▲	-29.3%	-26.6%	2.6% ▲
Net Margin	14.9%	15.5%	0.5% ▼	15.6%	16.0%	0.4% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	CHCC
TP - Dec 23	140
LDCP	108.88
Upside (%)	29
Free Float ('mn)	117
Market Cap. (Rs. 'mn)	21,155

CHCC vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	17,090	25,207	32,085	38,915	41,067	43,826	46,705
Cost of sale	16,704	18,479	23,135	27,142	28,470	30,241	32,161
Gross profit	386	6,728	8,951	11,773	12,596	13,586	14,544
Selling and promotion expenses	362	429	529	549	580	618	659
Administration expenses	272	291	349	418	731	780	831
Other operating expenses	19	251	275	461	498	531	566
Operating Profit	- 266	5,756	7,797	10,345	10,788	11,656	12,487
Other operating income	71	105	390	248	262	280	298
Finance cost	2,527	1,524	1,359	2,023	1,543	1,234	1,435
Profit before taxation	- 2,723	4,337	6,829	8,571	9,507	10,702	11,351
Taxation	- 830	1,132	2,373	2,679	2,947	3,287	3,461
Profit after taxation	- 1,893	3,205	4,456	5,892	6,560	7,415	7,890
EPS	- 9.74	16.50	22.93	30.32	33.76	38.16	40.61

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	7.7%	47.5%	27.3%	21.3%	5.5%	6.7%	6.6%
Cost of sale	28.7%	10.6%	25.2%	17.3%	4.9%	6.2%	6.4%
Gross profit	-86.6%	1640.9%	33.0%	31.5%	7.0%	7.9%	7.1%
Selling and promotion expenses	-8.7%	18.6%	23.3%	3.8%	5.5%	6.7%	6.6%
Administration expenses	-7.5%	7.2%	19.9%	19.6%	75.0%	6.7%	6.6%
Other operating expenses	-82.6%	1221.0%	9.5%	67.4%	8.1%	6.7%	6.6%
Operating Profit	-112.8%	2261.7%	35.4%	32.7%	4.3%	8.0%	7.1%
Other operating income	-34.0%	48.7%	272.3%	-36.4%	5.5%	6.7%	6.6%
Finance cost	121.2%	-39.7%	-10.8%	48.8%	-23.7%	-20.1%	16.3%
Profit before taxation	-359.9%	259.3%	57.4%	25.5%	10.9%	12.6%	6.1%
Taxation	-16.0%	236.5%	109.6%	12.9%	10.0%	11.5%	5.3%
Profit after taxation	-207.4%	269.3%	39.0%	32.2%	11.3%	13.0%	6.4%
EPS	-207.4%	269.3%	39.0%	32.2%	11.3%	13.0%	6.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	2.26	26.69	27.90	30.25	30.67	31.00	31.14
NP Margin	%	-11.08	12.72	13.89	15.14	15.97	16.92	16.89
OP Margin	%	-1.56	22.84	24.30	26.59	26.27	26.60	26.74
ROE	%	-18.83	23.58	25.73	23.22	21.05	19.67	406.07
ROCE	%	-7.00	11.91	15.49	18.88	19.37	18.48	193.91
ROA	%	-5.75	9.37	11.54	16.02	14.22	12.15	9.80
Cost per ton	'mn	4.86	4.69	6.47	10.08	10.13	10.25	10.40
EBITDA per ton	'mn	0.42	1.85	2.56	4.44	4.41	4.45	4.48
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.14	1.08	1.06	1.27	2.24	4.49	4.05
Acid-test	x	0.70	0.65	0.93	1.07	2.00	4.17	3.82
Cash to current liab.	x	0.01	0.02	0.11	0.05	1.09	3.19	3.28
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,115	984	966	1,006	1,308	1,784	2,324
Inventory Turnover	x	15	19	24	27	22	17	14
Inventory Days		24	19	15	14	17	22	26
Receivables Days		6	6	6	6	6	6	6
Payables Days		47	45	45	45	45	45	45
Operating Cycle		-16	-19	-24	-26	-23	-18	-13
Utilization	%	75	87	67	51	34	36	38
Export Revenue	%	14	13	8	5	6	7	8
Local Revenue	%	86	87	92	95	94	93	92
Export Market Share	%	24	20	32	16	19	23	27
Local Market Share	%	8	8	8	6	6	6	5
Total Market Share	%	7	7	7	5	5	5	5
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		-9.74	16.50	22.93	30.32	33.76	38.16	40.61
DPS		0.00	2.25	3.00	4.00	4.50	5.00	5.50
Div. Yield	%	0.00	2.07	2.76	3.67	4.13	4.59	5.05
Dividend Cover		0.00	7.33	7.64	7.58	7.50	7.63	7.38
BVPS		51.74	69.94	89.12	130.60	160.37	194.03	10.00
Payout	%	0.00	13.64	13.08	13.19	13.33	13.10	13.54
Retention	%	100.00	86.36	86.92	86.81	86.67	86.90	86.46
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		0.00	6.60	4.75	3.59	3.22	2.85	2.68
Sales per share		87.96	129.73	165.14	200.29	211.36	225.56	240.38
P/BV		2.10	1.56	1.22	0.83	0.68	0.56	10.89
Price to Sales		1.24	0.84	0.66	0.54	0.52	0.48	0.45
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.99	1.25	0.93	0.35	0.20	0.13	5.31
L.T. Debt to Equity	x	1.73	1.12	0.75	0.33	0.17	0.06	0.95
Interest Cover	x	-0.11	3.78	5.74	5.12	6.99	9.45	8.70

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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SELL	Less than and equal to -5%

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