

CHCC has announced its quarterly result where it posted profit after tax of Rs309mn (EPS: Rs1.59) in 1QFY21 as compared to a loss after tax of Rs339mn (LPS: Rs1.74) in the same period last year, up by 191.3% YoY.

Despite the economic contractionary phase and winter season, the company has posted a revenue of Rs5.2bn against Rs4.5bn in SPLY, recording a growth of 16.4% YoY.

The gross margin has been improved enormously to 21.3% in 1QFY21 as compared to 4.2% in 1QFY20 due to a decrease in coal prices and an increase in retention prices. SG&A expenses have decreased by 6.7% YoY to Rs153mn in 1QFY21 as compared to Rs164mn during SPLY.

Other income is declined by 61.9% YoY, However, a decrease in finance cost by 12.1% YoY reinforced the bottom-line.

Going forward, we expect the sales to surge as the result of improved economic activity, and the government's focus on the construction industry. CHCC is currently trading at a FY21E P/B of 2.22x which offers a discount of 14.2% relative to its historical 5-year average of 2.59. We have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs171 which provides an upside potential of 23%.

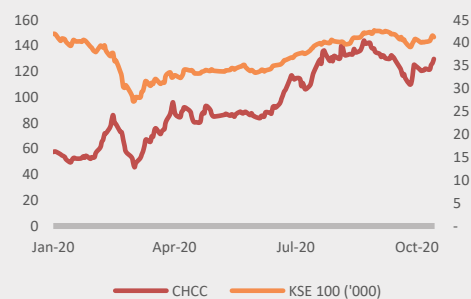
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	5,217	4,481	16.4% ▲	17,090	15,863	7.7% ▲
Cost of Sales	-4,106	-4,292	4.3% ▼	-16,704	-12,980	28.7% ▲
Gross Profit	1,111	188	490.5% ▲	386	2,883	86.6% ▼
SG&A Expenses	-153	-164	6.7% ▼	-634	-690	8.2% ▼
Other Expenses	-25	-3	854.0% ▲	-19	-109	82.6% ▼
Operating Profit	934	22	4148.4% ▲	-266	2,083	112.8% ▼
Other Income	8	21	61.9% ▼	71	107	34.0% ▼
Finance Cost	-522	-594	12.1% ▼	-2,527	-1,143	121.2% ▲
Profit Before Taxation	420	-551	176.2% ▲	-2,723	1,048	359.9% ▼
Taxation	-111	212	152.1% ▲	830	715	16.0% ▲
Profit After Taxation	309	-339	191.3% ▲	-1,893	1,763	207.4% ▼
Earnings Per Share	1.59	-1.74	191.3% ▲	-9.74	9.07	207.4% ▼
Dividend	0.00	0.00		0.00	1.00	
Bonus	0%	0%		0.00	10%	
Gross Margin	21.3%	4.2%	17.1% ▲	2.3%	18.2%	15.9% ▼
SG&A Expenses to Sales	-2.9%	-3.7%	0.7% ▼	-3.7%	-4.4%	0.6% ▼
Other Income to Sales	0.2%	0.5%	0.3% ▼	0.4%	0.7%	0.3% ▼
Ex. Gain / (Loss) to Sales	-2.9%	-3.7%	0.7% ▼	-3.7%	-4.4%	0.6% ▼
Effective Taxation	-26.4%	-38.6%	12.2% ▼	-30.5%	68.2%	37.8% ▼
Net Margin	5.9%	-7.6%	13.5% ▲	-11.1%	11.1%	22.2% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	CHCC
TP - Jun 21	171.00
LDCP	139.27
Upside (%)	23
Free Float ('mn)	107
Market Cap. (Rs.'mn)	27,059

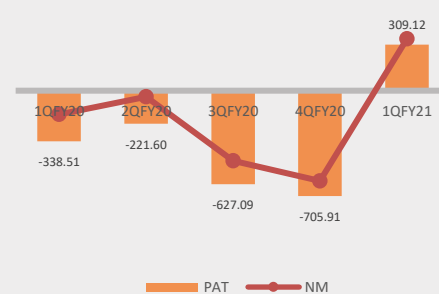
## CHCC vs KSE 100



## 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	21,568	23,526	25,666
Cost of sale	4,582	4,445	6,432	11,249	12,980	16,704	16,146	17,198	18,633
<b>Gross profit</b>	<b>1,984</b>	<b>2,634</b>	<b>3,213</b>	<b>3,139</b>	<b>2,883</b>	<b>386</b>	<b>5,422</b>	<b>6,328</b>	<b>7,033</b>
Selling and promotion expenses	206	234	280	337	396	362	457	498	544
Administration expenses	164	192	225	245	294	272	343	374	408
Other operating expenses	105	156	143	134	109	19	234	202	189
<b>Operating Profit</b>	<b>1,508</b>	<b>2,052</b>	<b>2,565</b>	<b>2,423</b>	<b>2,083</b>	<b>- 266</b>	<b>4,389</b>	<b>5,253</b>	<b>5,892</b>
Other operating income	201	43	133	81	107	71	32	35	38
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	2,806	3,946	4,929
Taxation	383	646	553	15	- 715	- 830	694	969	1,202
<b>Profit after taxation</b>	<b>1,288</b>	<b>1,405</b>	<b>1,957</b>	<b>2,132</b>	<b>1,763</b>	<b>- 1,893</b>	<b>2,112</b>	<b>2,976</b>	<b>3,727</b>
EPS	<b>6.63</b>	<b>7.23</b>	<b>10.07</b>	<b>10.97</b>	<b>9.07</b>	<b>- 9.74</b>	<b>10.87</b>	<b>15.32</b>	<b>19.18</b>

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%	26.2%	9.1%	9.1%
Cost of sale	5.4%	-3.0%	44.7%	74.9%	15.4%	28.7%	-3.3%	6.5%	8.3%
<b>Gross profit</b>	<b>-5.7%</b>	<b>32.8%</b>	<b>22.0%</b>	<b>-2.3%</b>	<b>-8.2%</b>	<b>-86.6%</b>	<b>1303.0%</b>	<b>16.7%</b>	<b>11.1%</b>
Selling and promotion expenses	9.2%	13.8%	19.5%	20.4%	17.6%	-8.7%	26.2%	9.1%	9.1%
Administration expenses	16.2%	17.0%	17.1%	9.0%	19.8%	-7.5%	26.2%	9.1%	9.1%
Other operating expenses	-20.7%	47.8%	-8.0%	-6.6%	-18.4%	-82.6%	1128.7%	-13.4%	-6.8%
<b>Operating Profit</b>	<b>-8.0%</b>	<b>36.1%</b>	<b>25.0%</b>	<b>-5.5%</b>	<b>-14.0%</b>	<b>-112.8%</b>	<b>1748.2%</b>	<b>19.7%</b>	<b>12.2%</b>
Other operating income	162.5%	-78.4%	207.7%	-39.2%	31.7%	-34.0%	-54.2%	9.1%	9.1%
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%	203.0%	40.6%	24.9%
Taxation	3.1%	68.7%	-14.4%	-97.2%	-4789.1%	-16.0%	183.7%	39.7%	24.0%
<b>Profit after taxation</b>	<b>-2.1%</b>	<b>9.1%</b>	<b>39.2%</b>	<b>9.0%</b>	<b>-17.3%</b>	<b>-207.4%</b>	<b>211.5%</b>	<b>41.0%</b>	<b>25.2%</b>
EPS	<b>-2.1%</b>	<b>9.1%</b>	<b>39.2%</b>	<b>9.0%</b>	<b>-17.3%</b>	<b>-207.4%</b>	<b>211.5%</b>	<b>41.0%</b>	<b>25.2%</b>

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	25.14	26.90	27.40
NP Margin	%	19.62	19.85	20.28	14.82	11.11	-11.08	9.79	12.65	14.52
OP Margin	%	22.97	28.98	26.59	16.84	13.13	-1.56	20.35	22.33	22.96
ROE	%	16.05	15.37	18.70	19.08	14.99	-18.83	17.36	19.91	20.11
ROCE	%	14.91	10.29	12.05	7.94	6.06	-7.00	9.12	13.37	16.28
ROA	%	13.61	9.09	10.40	6.99	5.00	-5.75	6.84	9.28	10.56
Cost per ton	'mn	4.81	4.14	4.47	4.42	5.39	4.86	4.71	4.75	4.86
EBITDA per ton	'mn	1.63	2.19	2.10	1.40	1.34	0.42	1.65	1.79	1.85
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	2.74	1.11	1.78	1.72	1.31	1.14	0.55	0.74	1.20
Acid-test	x	1.21	0.56	0.93	0.83	0.62	0.70	0.28	0.46	0.90
Cash to current liab.	x	0.02	0.01	0.02	0.01	0.00	0.01	-0.11	0.05	0.43
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Average Inventory	'mn	417	384	574	799	1,011	1,115	946	961	1,032
Inventory Turnover	x	11	12	11	14	13	15	17	18	18
Inventory Days		33	32	33	26	28	24	21	20	20
Receivables Days		0	0	5	5	7	6	6	6	6
Payables Days		52	119	46	65	52	47	55	55	55
Operating Cycle		-19	-87	-9	-34	-17	-16	-27	-28	-28
Utilization	%	93	99	61	101	55	75	76	80	84
Export Revenue	%	29	21	13	12	14	14	15	16	16
Local Revenue	%	71	79	87	88	86	86	85	84	84
Export Market Share	%	6	6	6	10	14	24	26	29	32
Local Market Share	%	3	3	5	7	7	8	8	7	7
Total Market Share	%	3	3	4	5	5	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	10.87	15.32	19.18
DPS		3.00	3.25	4.50	5.00	1.00	0.00	1.00	0.75	3.00
Div. Yield	%	2.15	2.33	3.23	3.59	0.72	0.00	0.72	0.54	2.15
Dividend Cover		2.21	2.23	2.24	2.19	9.07	0.00	10.87	20.43	6.39
BVPS		41.31	47.04	53.84	57.51	60.51	51.74	62.61	76.93	95.36
Payout	%	45.25	44.94	44.69	45.56	11.02	0.00	9.20	4.90	15.64
Retention	%	54.75	55.06	55.31	54.44	88.98	100.00	90.80	95.10	84.36
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		21.01	19.26	13.83	12.69	15.35	0.00	12.82	9.09	7.26
Sales per share		33.79	36.44	49.64	74.05	81.64	87.96	111.01	121.09	132.10
P/BV		3.37	2.96	2.59	2.42	2.30	2.69	2.22	1.81	1.46
Price to Sales		4.12	3.82	2.81	1.88	1.71	1.58	1.25	1.15	1.05
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	x	0.03	0.46	0.61	1.44	1.75	1.99	1.43	0.91	0.54
L.T. Debt to Equity	x	0.02	0.44	0.47	1.35	1.51	1.73	1.21	0.73	0.39
Interest Cover	x	39.84	46.94	13.63	6.79	1.82	-0.11	2.72	3.91	5.88

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
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