

CHCC has announced its 9MFY23 result where it posted a profit after tax of Rs4.31bn (EPS: Rs22.19) as compared to a profit after tax of Rs3.43bn (EPS: Rs17.68) in the same period last year, up by 25.5% YoY amid higher retention prices in addition to an increase in dispatches takeoff.

The company has posted a revenue of Rs28.76bn against Rs22.58bn in SPLY, recording a growth of 27.3% YoY. The gross margin has been improved to 28.8% as compared to 27.6% in SPLY amid the procurement of coal at lower prices.

SG&A expenses have increased by 20.4% YoY to Rs0.76bn while other income has increased by 18.5% to Rs0.36bn. Moreover, finance costs went up by 56.4% to Rs1.42bn due to an increase in interest rates. Lastly, the effective taxation increased to 29.8% as compared to 27% in SPLY.

CHCC is currently trading at a FY23E P/E of 4.00x. Furthermore, the scrip is trading at a CY23E P/B of 0.90x which offers a discount of 48% relative to its historical 3-year average of 1.73x. We have a **BUY** stance on the scrip with a DCF based Dec-23 TP of Rs145 which provides an upside potential of 25%. Further, the scrip also provides a dividend yield of 3.45% which makes the total return of 28%.

Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	9,299	7,803	19.2% ▲	28,756	22,581	27.3% ▲
Cost of Sales	-6,892	-5,723	20.4% ▲	-20,463	-16,344	25.2% ▲
Gross Profit	2,407	2,080	15.7% ▲	8,293	6,238	33.0% ▲
SG&A Expenses	-277	-221	25.3% ▲	-760	-631	20.4% ▲
Other Expenses	-105	-94	12.4% ▲	-336	-299	12.5% ▲
Operating Profit	2,025	1,765	14.7% ▲	7,197	5,308	35.6% ▲
Other Income	236	15	1461.5% ▲	360	304	18.5% ▲
Finance Cost	-415	-305	36.0% ▲	-1,416	-905	56.4% ▲
Profit Before Taxation	1,846	1,475	25.1% ▲	6,142	4,706	30.5% ▲
Taxation	-573	-410	40.0% ▲	-1,831	-1,271	44.1% ▲
Profit After Taxation	1,272	1,065	19.4% ▲	4,310	3,435	25.5% ▲
Earnings Per Share	6.55	5.48	19.4% ▲	22.19	17.68	25.5% ▲
Dividend	1.50	0.00	-	1.50	0.00	-
Bonus	0%	0%	-	0.00	0%	-

Gross Margin	25.9%	26.7%	0.8% ▼	28.8%	27.6%	1.2% ▲
SG&A Expenses to Sales	-3.0%	-2.8%	0.1% ▲	-2.6%	-2.8%	0.2% ▼
Other Income to Sales	2.5%	0.2%	2.3% ▲	1.3%	1.3%	0.1% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-2.8%	0.1% ▲	-2.6%	-2.8%	0.2% ▼
Effective Taxation	-31.1%	-27.8%	3.3% ▲	-29.8%	-27.0%	2.8% ▲
Net Margin	13.7%	13.7%	0.0% ▲	15.0%	15.2%	0.2% ▼

Source: ACPL Research, Company Financials

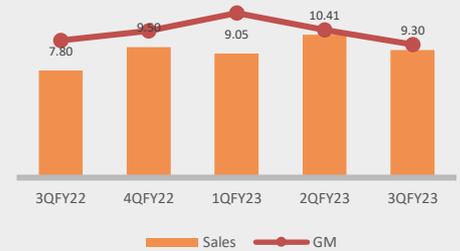
Key Statistics

Symbol	CHCC
TP - Dec 23	145
LDCP	115.94
Upside (%)	25
Free Float ('mn)	117
Market Cap. (Rs. 'mn)	22,527

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	38,342	40,430	42,974	46,086
Cost of sale	16,704	18,479	23,135	27,285	28,535	30,279	32,167
Gross profit	386	6,728	8,951	11,057	11,895	12,695	13,919
Selling and promotion expenses	362	429	529	582	614	653	700
Administration expenses	272	291	349	431	722	767	823
Other operating expenses	19	251	275	448	490	520	558
Operating Profit	- 266	5,756	7,797	9,596	10,070	10,754	11,838
Other operating income	71	105	390	480	321	341	366
Finance cost	2,527	1,524	1,359	1,887	1,373	1,300	1,535
Profit before taxation	- 2,723	4,337	6,829	8,189	9,018	9,796	10,669
Taxation	- 830	1,132	2,373	2,559	2,794	3,007	3,251
Profit after taxation	- 1,893	3,205	4,456	5,630	6,224	6,789	7,419
EPS	- 9.74	16.50	22.93	28.98	32.03	34.94	38.18

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	7.7%	47.5%	27.3%	19.5%	5.4%	6.3%	7.2%
Cost of sale	28.7%	10.6%	25.2%	17.9%	4.6%	6.1%	6.2%
Gross profit	-86.6%	1640.9%	33.0%	23.5%	7.6%	6.7%	9.6%
Selling and promotion expenses	-8.7%	18.6%	23.3%	10.0%	5.4%	6.3%	7.2%
Administration expenses	-7.5%	7.2%	19.9%	23.6%	67.3%	6.3%	7.2%
Other operating expenses	-82.6%	1221.0%	9.5%	62.6%	9.3%	6.3%	7.2%
Operating Profit	-112.8%	2261.7%	35.4%	23.1%	4.9%	6.8%	10.1%
Other operating income	-34.0%	48.7%	272.3%	22.9%	-33.1%	6.3%	7.2%
Finance cost	121.2%	-39.7%	-10.8%	38.9%	-27.2%	-5.3%	18.1%
Profit before taxation	-359.9%	259.3%	57.4%	19.9%	10.1%	8.6%	8.9%
Taxation	-16.0%	236.5%	109.6%	7.8%	9.2%	7.6%	8.1%
Profit after taxation	-207.4%	269.3%	39.0%	26.3%	10.6%	9.1%	9.3%
EPS	-207.4%	269.3%	39.0%	26.3%	10.6%	9.1%	9.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	2.26	26.69	27.90	28.84	29.42	29.54	30.20
NP Margin	%	-11.08	12.72	13.89	14.68	15.39	15.80	16.10
OP Margin	%	-1.56	22.84	24.30	25.03	24.91	25.03	25.69
ROE	%	-18.83	23.58	25.73	22.42	20.37	18.61	381.82
ROCE	%	-7.00	11.91	15.49	18.20	18.71	17.46	182.33
ROA	%	-5.75	9.37	11.54	15.45	13.70	11.31	9.84
Cost per ton	'mn	4.86	4.69	6.47	10.21	10.25	10.36	10.50
EBITDA per ton	'mn	0.42	1.85	2.56	4.10	4.17	4.16	4.29
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.14	1.08	1.06	1.20	2.05	3.74	4.26
Acid-test	x	0.70	0.65	0.93	1.00	1.82	3.47	3.99
Cash to current liab.	x	0.01	0.02	0.11	0.00	0.95	2.63	3.36
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,115	984	966	1,009	1,313	1,787	2,326
Inventory Turnover	x	15	19	24	27	22	17	14
Inventory Days		24	19	15	13	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	37
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	28.98	32.03	34.94	38.18
DPS		0.00	2.25	3.00	4.00	4.50	5.00	5.00
Div. Yield	%	0.00	1.94	2.59	3.45	3.88	4.31	4.31
Dividend Cover		0.00	7.33	7.64	7.24	7.12	6.99	7.64
BVPS		51.74	69.94	89.12	129.26	157.29	187.73	10.00
Payout	%	0.00	13.64	13.08	13.80	14.05	14.31	13.10
Retention	%	100.00	86.36	86.92	86.20	85.95	85.69	86.90
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		0.00	7.03	5.06	4.00	3.62	3.32	3.04
Sales per share		87.96	129.73	165.14	197.34	208.09	221.18	237.20
P/BV		2.24	1.66	1.30	0.90	0.74	0.62	11.59
Price to Sales		1.32	0.89	0.70	0.59	0.56	0.52	0.49
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.99	1.25	0.93	0.36	0.22	0.17	4.35
L.T. Debt to Equity	x	1.73	1.12	0.75	0.34	0.17	0.06	0.95
Interest Cover	x	-0.11	3.78	5.74	5.08	7.33	8.27	7.71

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

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