

CHCC has announced its annual result where it posted loss after tax of Rs1.9bn (LPS: Rs9.74) in FY20 as compared to a profit after tax of Rs1.8bn (EPS: Rs9.07) in the same period last year, down by 207.4% YoY.

Despite the economic contractionary phase and winter season, the company has posted the revenue of Rs17.09bn against Rs15.9bn in SPLY, recording a growth of 7.7% YoY.

Gross margin has been squeezed to 2.3% in FY20 as compared to 18.2% in FY19 due to rupee devaluation during the period and decrease in retention prices. SG&A expenses have decreased by 8.2% YoY to Rs634mn in FY20 as compared to Rs690mn during SPLY.

Lastly, the decline in other income by 34% YoY, and an increase in finance cost by 121.2% YoY caused the bottom-line to plunge.

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 2.64x. We have a **HOLD** stance on the script with a DCF based Jun-21 TP of Rs148 which provides an upside potential of 11%.

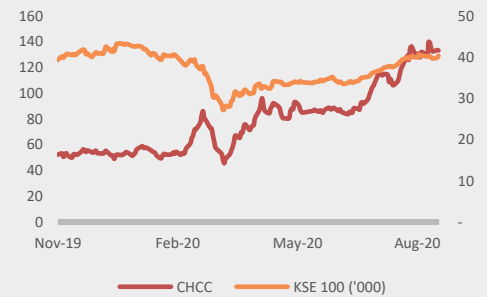
Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	3,630	4,701	22.8% ▼	17,090	15,863	7.7% ▲
Cost of Sales	-3,908	-3,936	0.7% ▼	-16,704	-12,980	28.7% ▲
Gross Profit	-278	766	136.3% ▼	386	2,883	86.6% ▼
SG&A Expenses	-143	-179	19.9% ▲	-634	-690	8.2% ▼
Other Expenses	-5	-45	89.0% ▲	-19	-109	82.6% ▼
Operating Profit	-426	542	178.6% ▼	-266	2,083	112.8% ▼
Other Income	12	6	103.7% ▲	71	107	34.0% ▼
Finance Cost	-610	-546	11.6% ▲	-2,527	-1,143	121.2% ▲
Profit Before Taxation	-1,024	1	81882.6% ▼	-2,723	1,048	359.9% ▼
Taxation	318	-489	165.1% ▼	830	715	16.0% ▲
Profit After Taxation	-706	-487	44.9% ▲	-1,893	1,763	207.4% ▼
Earnings Per Share	-3.63	-2.51	44.9% ▲	-9.74	9.07	207.4% ▼
Dividend	0.00	1.00		0.00	1.00	
Bonus	0%	10%		0.00	10%	
Gross Margin	-7.7%	16.3%	23.9% ▼	2.3%	18.2%	15.9% ▼
SG&A Expenses to Sales	-3.9%	-3.8%	0.1% ▲	-3.7%	-4.4%	0.6% ▼
Other Income to Sales	0.3%	0.1%	0.2% ▲	0.4%	0.7%	0.3% ▼
Ex. Gain / (Loss) to Sales	-3.9%	-3.8%	0.1% ▲	-3.7%	-4.4%	0.6% ▼
Effective Taxation	-31.1%	-39019.1%	38988.0% ▼	-30.5%	68.2%	37.8% ▼
Net Margin	-19.4%	-10.4%	9.1% ▼	-11.1%	11.1%	22.2% ▼

Source: ACPL Research, Company Financials

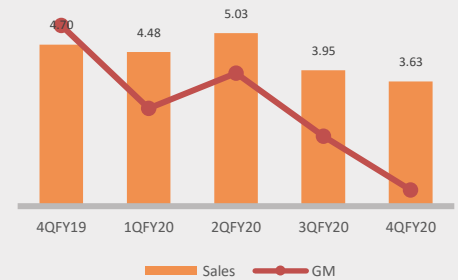
Key Statistics

Symbol	CHCC
TP - Jun 21	148.00
LDPC	133.08
Upside (%)	11
Free Float ('mn)	107
Market Cap. (Rs.'mn)	25,857

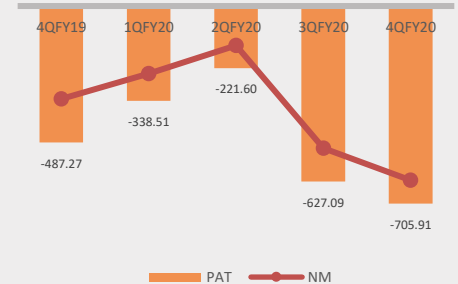
CHCC vs KSE 100



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	17,894	20,057	22,450
Cost of sale	4,582	4,445	6,432	11,249	12,980	16,704	15,288	16,278	17,380
Gross profit	1,984	2,634	3,213	3,139	2,883	386	2,606	3,779	5,070
Selling and promotion expenses	206	234	280	337	396	362	379	425	476
Administration expenses	164	192	225	245	294	272	285	319	357
Other operating expenses	105	156	143	134	109	19	194	173	165
Operating Profit	1,508	2,052	2,565	2,423	2,083	- 266	1,748	2,863	4,072
Other operating income	201	43	133	81	107	71	74	83	93
Finance cost	38	44	188	357	1,143	2,527	1,892	1,706	1,483
Profit before taxation	1,671	2,051	2,510	2,147	1,048	- 2,723	- 70	1,240	2,683
Taxation	383	646	553	15	- 715	- 830	- 15	259	553
Profit after taxation	1,288	1,405	1,957	2,132	1,763	- 1,893	- 55	981	2,130
EPS	6.63	7.23	10.07	10.97	9.07	- 9.74	- 0.28	5.05	10.96

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%	4.7%	12.1%	11.9%
Cost of sale	5.4%	-3.0%	44.7%	74.9%	15.4%	28.7%	-8.5%	6.5%	6.8%
Gross profit	-5.7%	32.8%	22.0%	-2.3%	-8.2%	-86.6%	574.2%	45.0%	34.2%
Selling and promotion expenses	9.2%	13.8%	19.5%	20.4%	17.6%	-8.7%	4.7%	12.1%	11.9%
Administration expenses	16.2%	17.0%	17.1%	9.0%	19.8%	-7.5%	4.7%	12.1%	11.9%
Other operating expenses	-20.7%	47.8%	-8.0%	-6.6%	-18.4%	-82.6%	919.4%	-11.0%	-4.4%
Operating Profit	-8.0%	36.1%	25.0%	-5.5%	-14.0%	-112.8%	756.5%	63.8%	42.3%
Other operating income	162.5%	-78.4%	207.7%	-39.2%	31.7%	-34.0%	4.7%	12.1%	11.9%
Finance cost	31.7%	15.5%	330.6%	89.5%	220.4%	121.2%	-25.1%	-9.9%	-13.1%
Profit before taxation	-1.0%	22.8%	22.3%	-14.4%	-51.2%	-359.9%	97.4%	1866.7%	116.4%
Taxation	3.1%	68.7%	-14.4%	-97.2%	-4789.1%	-16.0%	98.2%	1844.5%	113.6%
Profit after taxation	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	97.1%	1872.6%	117.1%
EPS	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	97.1%	1872.6%	117.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	30.21	37.21	33.31	21.82	18.18	2.26	14.56	18.84	22.58
NP Margin	%	19.62	19.85	20.28	14.82	11.11	-11.08	-0.31	4.89	9.49
OP Margin	%	22.97	28.98	26.59	16.84	13.13	-1.56	9.77	14.27	18.14
ROE	%	16.05	15.37	18.70	19.08	14.99	-19.19	-0.56	9.09	16.67
ROCE	%	14.91	10.29	12.05	7.94	6.06	-6.76	-0.20	3.60	7.73
ROA	%	13.61	9.09	10.40	6.99	5.00	-13.78	-0.55	15.01	71.32
Cost per ton	'mn	4.81	4.14	4.47	4.42	5.39	5.28	5.45	5.45	5.47
EBITDA per ton	'mn	1.63	2.19	2.10	1.40	1.34	0.37	1.05	1.34	1.62
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	2.74	1.11	1.78	1.72	1.31	-3.04	-3.52	-3.42	-3.48
Acid-test	x	1.21	0.56	0.93	0.83	0.62	-3.22	-3.77	-3.64	-3.69
Cash to current liab.	x	0.02	0.01	0.02	0.01	0.00	-4.49	-4.86	-4.61	-4.61
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Average Inventory	'mn	417	384	574	799	1,011	1,549	1,753	1,730	1,844
Inventory Turnover	x	11	12	11	14	13	11	9	9	9
Inventory Days		33	32	33	26	28	34	42	39	39
Receivables Days		0	0	5	5	7	7	7	7	7
Payables Days		52	119	46	65	52	50	50	50	50
Operating Cycle		-19	-87	-9	-34	-17	-9	-1	-4	-4
Utilization	%	93	99	61	101	55	58	62	66	70
Export Revenue	%	29	21	13	12	14	27	28	29	30
Local Revenue	%	71	79	87	88	86	73	72	71	70
Export Market Share	%	6	6	6	10	14	36	40	44	48
Local Market Share	%	3	3	5	7	7	6	5	5	5
Total Market Share	%	3	3	4	5	5	6	5	5	5
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS		6.63	7.23	10.07	10.97	9.07	-9.74	-0.28	5.05	10.96
DPS		3.00	3.25	4.50	5.00	1.00	0.00	0.00	0.75	3.00
Div. Yield	%	2.25	2.44	3.38	3.76	0.75	0.00	0.00	0.56	2.25
Dividend Cover		2.21	2.23	2.24	2.19	9.07	0.00	0.00	6.73	3.65
BVPS		41.31	47.04	53.84	57.51	60.51	50.76	50.48	55.53	65.74
Payout	%	45.25	44.94	44.69	45.56	11.02	0.00	0.00	14.85	27.37
Retention	%	54.75	55.06	55.31	54.44	88.98	100.00	100.00	85.15	72.63
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		20.07	18.40	13.22	12.13	14.67	0.00	0.00	26.36	12.14
Sales per share		33.79	36.44	49.64	74.05	81.64	87.96	92.10	103.23	115.55
P/BV		3.22	2.83	2.47	2.31	2.20	2.62	2.64	2.40	2.02
Price to Sales		3.94	3.65	2.68	1.80	1.63	1.51	1.45	1.29	1.15
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.03	0.46	0.61	1.44	1.75	1.89	1.90	1.69	1.33
L.T. Debt to Equity	x	0.02	0.44	0.47	1.35	1.51	1.79	1.80	1.60	1.26
Interest Cover	x	39.84	46.94	13.63	6.79	1.82	-0.11	0.92	1.68	2.75

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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