

CHCC has announced its 1QFY22 result where it posted profit after tax of Rs1.19bn (EPS: Rs6.14) as compared to a profit after tax of Rs309mn (EPS: Rs1.59) in the same period last year, up by 286% YoY.

The company had posted a revenue of Rs7.16bn against Rs5.22bn in SPLY, recording a growth of 37% YoY.

The gross margin has been improved to 29% as compared to 21.3% in SPLY due to an increase in retention prices. SG&A expenses have increased by 28.7% YoY to Rs197mn as compared to Rs153mn during SPLY.

Lastly, an increase in the other income by 1855.6% YoY and a decrease in finance cost by 42.7% YoY reinforced the bottom-line.

Going forward, we expect the coal prices to ease down amid worldwide efforts to ensure supply which would reduce the cost pressure. CHCC is currently trading at a FY22E P/E of 8.36. The scrip is also trading at a FY22E P/B of 2.39x which offers a discount of 20% relative to its historical 5-year average of 3.0. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs190 which provides an upside potential of 31%.

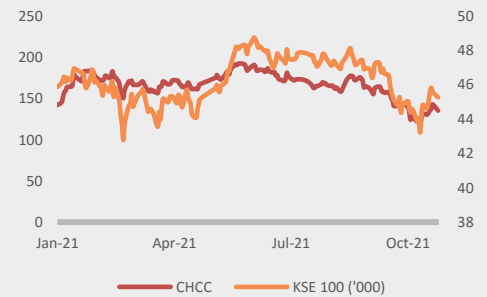
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	7,161	5,217	37.3% ▲	25,207	17,090	47.5% ▲
Cost of Sales	-5,082	-4,106	23.8% ▲	-18,479	-16,704	10.6% ▲
Gross Profit	2,079	1,111	87.1% ▲	6,728	386	1640.9% ▲
SG&A Expenses	-197	-153	28.7% ▲	-720	-634	13.7% ▲
Other Expenses	-134	-25	438.9% ▲	-251	-19	1221.0% ▲
Operating Profit	1,749	934	87.3% ▲	5,756	-266	2061.7% ▲
Other Income	156	8	1855.6% ▲	105	71	48.7% ▲
Finance Cost	-299	-522	42.7% ▼	-1,524	-2,527	39.7% ▼
Profit Before Taxation	1,607	420	282.7% ▲	4,337	-2,723	259.3% ▲
Taxation	-414	-111	273.9% ▲	-1,132	830	36.5% ▲
Profit After Taxation	1,193	309	285.8% ▲	3,205	-1,893	269.3% ▲
Earnings Per Share	6.14	1.59	285.8% ▲	16.50	-9.74	269.3% ▲
Dividend	0.00	0.00		2.25	0.00	
Bonus	0%	0%		0.00	10%	
Gross Margin	29.0%	21.3%	7.7% ▲	26.7%	2.3%	24.4% ▲
SG&A Expenses to Sales	-2.7%	-2.9%	0.2% ▼	-2.9%	-3.7%	0.9% ▼
Other Income to Sales	2.2%	0.2%	2.0% ▲	0.4%	0.4%	0.0% ▲
Ex. Gain / (Loss) to Sales	-2.7%	-2.9%	0.2% ▼	-2.9%	-3.7%	0.9% ▼
Effective Taxation	-25.8%	-26.4%	0.6% ▼	-26.1%	-30.5%	4.4% ▼
Net Margin	16.7%	5.9%	10.7% ▲	12.7%	-11.1%	23.8% ▲

Source: ACPL Research, Company Financials

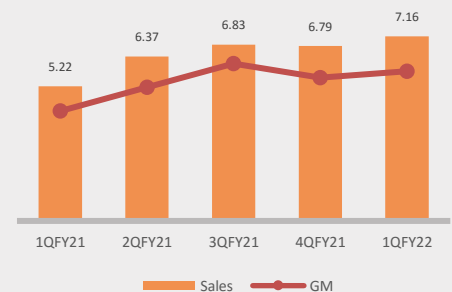
Key Statistics

Symbol	CHCC
TP - Jun 22	190.00
LDPC	143.98
Upside (%)	31
Free Float ('mn)	107
Market Cap. (Rs. 'mn)	31,282

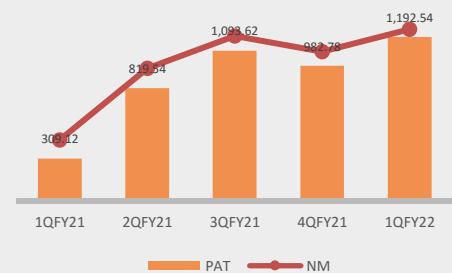
CHCC vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	15,863	17,090	24,269	36,442	38,897	41,507	44,281
Cost of sale	12,980	16,704	17,781	26,302	29,219	31,549	34,090
Gross profit	2,883	386	6,488	10,140	9,678	9,958	10,191
Selling and promotion expenses	396	362	514	772	824	879	938
Administration expenses	294	272	291	437	467	498	531
Other operating expenses	109	19	243	307	278	279	296
Operating Profit	2,083	- 266	5,440	8,623	8,109	8,302	8,426
Other operating income	107	71	97	510	545	581	620
Finance cost	1,143	2,527	1,616	1,343	1,002	705	486
Profit before taxation	1,048	- 2,723	3,922	7,791	7,652	8,178	8,559
Taxation	- 715	- 830	989	1,967	1,942	2,085	2,192
Profit after taxation	1,763	- 1,893	2,932	5,823	5,710	6,093	6,367
EPS	9.07	- 9.74	15.09	29.97	29.39	31.36	32.77

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	10.2%	7.7%	42.0%	50.2%	6.7%	6.7%	6.7%
Cost of sale	15.4%	28.7%	6.5%	47.9%	11.1%	8.0%	8.1%
Gross profit	-8.2%	-86.6%	1578.7%	56.3%	-4.6%	2.9%	2.3%
Selling and promotion expenses	17.6%	-8.7%	42.0%	50.2%	6.7%	6.7%	6.7%
Administration expenses	19.8%	-7.5%	7.2%	50.2%	6.7%	6.7%	6.7%
Other operating expenses	-18.4%	-82.6%	1175.7%	26.7%	-9.5%	0.3%	6.1%
Operating Profit	-14.0%	-112.8%	2142.9%	58.5%	-6.0%	2.4%	1.5%
Other operating income	31.7%	-34.0%	37.6%	425.6%	6.7%	6.7%	6.7%
Finance cost	220.4%	121.2%	-36.1%	-16.9%	-25.4%	-29.6%	-31.0%
Profit before taxation	-51.2%	-359.9%	244.0%	98.7%	-1.8%	6.9%	4.7%
Taxation	-4789.1%	-16.0%	219.2%	98.9%	-1.3%	7.4%	5.1%
Profit after taxation	-17.3%	-207.4%	254.9%	98.6%	-1.9%	6.7%	4.5%
EPS	-17.3%	-207.4%	254.9%	98.6%	-1.9%	6.7%	4.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	18.18	2.26	26.73	27.82	24.88	23.99	23.01
NP Margin	%	11.11	-11.08	12.08	15.98	14.68	14.68	14.38
OP Margin	%	13.13	-1.56	22.42	23.66	20.85	20.00	19.03
ROE	%	14.99	-18.83	22.58	31.28	23.62	20.52	18.15
ROCE	%	6.06	-7.00	12.24	22.46	20.01	19.60	18.13
ROA	%	5.00	-5.75	9.02	14.86	12.40	11.48	10.30
Cost per ton	'mn	5.39	4.86	4.61	6.69	7.11	7.35	7.60
EBITDA per ton	'mn	1.34	0.42	1.72	2.39	2.14	2.08	2.01
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.31	1.14	0.70	1.36	2.14	2.80	4.19
Acid-test	x	0.62	0.70	0.41	0.56	1.26	1.89	3.10
Cash to current liab.	x	0.00	0.01	-0.01	-0.20	0.39	0.98	1.98
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	1,011	1,115	994	1,954	3,042	3,330	3,597
Inventory Turnover	x	13	15	18	13	10	9	9
Inventory Days		28	24	20	27	38	39	39
Receivables Days		7	6	6	7	7	7	7
Payables Days		52	47	55	48	48	48	48
Operating Cycle		-17	-16	-28	-14	-3	-2	-2
Utilization	%	55	75	85	87	91	95	99
Export Revenue	%	14	14	13	13	13	13	12
Local Revenue	%	86	86	87	87	87	87	88
Export Market Share	%	14	24	26	27	27	27	28
Local Market Share	%	7	8	9	8	8	7	7
Total Market Share	%	5	7	7	7	6	6	6
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS		9.07	-9.74	15.09	29.97	29.39	31.36	32.77
DPS		1.00	0.00	1.00	0.75	3.00	5.00	8.00
Div. Yield	%	0.69	0.00	0.69	0.52	2.08	3.47	5.56
Dividend Cover		9.07	0.00	15.09	39.96	9.80	6.27	4.10
BVPS		60.51	51.74	66.84	95.81	124.45	152.81	180.58
Payout	%	11.02	0.00	6.63	2.50	10.21	15.94	24.41
Retention	%	88.98	100.00	93.37	97.50	89.79	84.06	75.59
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		15.87	0.00	9.54	4.80	4.90	4.59	4.39
Sales per share		81.64	87.96	124.91	187.56	200.20	213.63	227.91
P/BV		2.38	2.78	2.15	1.50	1.16	0.94	0.80
Price to Sales		1.76	1.64	1.15	0.77	0.72	0.67	0.63
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.75	1.99	1.34	0.73	0.41	0.24	0.11
L.T. Debt to Equity	x	1.51	1.73	1.13	0.59	0.30	0.15	0.04
Interest Cover	x	1.82	-0.11	3.37	6.42	8.10	11.78	17.32

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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