

CHCC

9MFY21 Result Review: BUY Stance Maintained

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CHCC has announced its 9MFY21 result where it posted profit after tax of Rs2.2bn (EPS: Rs11.44) as compared to a loss after tax of Rs1.2bn (LPS: Rs6.11) in the same period last year, up by 287.2% YoY.

The company had posted a revenue of Rs18.4bn against Rs13.5bn in SPLY, recording a growth of 36.9% YoY.

The gross margin has been improved enormously to 26.3% as compared to 4.9% in SPLY due to increase in retention prices. SG&A expenses have increased by 7.9% YoY to Rs529mn as compared to Rs490mn during SPLY.

Lastly, increase in the other income by 10.4% YoY and a decrease in finance cost by 37.1% YoY reinforced the bottom-line.

Going forward, we expect the offtake to increase further as a result of improved economic activity, and the government's focus on the construction industry. CHCC is currently trading at a FY21E P/B of 2.39x 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 Dec-21 TP of Rs190 which provides an upside potential of 18%.

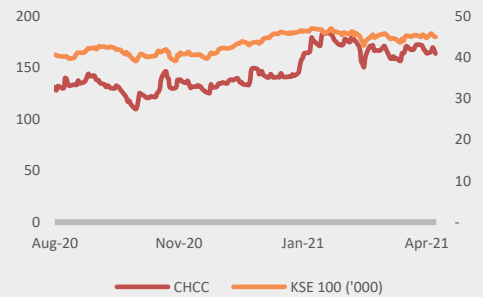
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	6,832	3,948	73.0% ▲	18,421	13,460	36.9% ▲
Cost of Sales	-4,748	-3,941	20.5% ▲	-13,576	-12,796	6.1% ▲
Gross Profit	2,084	7	30380.7% ▲	4,845	664	629.4% ▲
SG&A Expenses	-204	-163	25.1% ▲	-529	-490	7.9% ▲
Other Expenses	-83	-5	1707.0% ▲	-169	-14	1102.6% ▲
Operating Profit	1,797	-161	1217.5% ▲	4,146	160	2496.0% ▲
Other Income	17	10	62.8% ▲	65	59	10.4% ▲
Finance Cost	-321	-666	51.8% ▼	-1,206	-1,917	37.1% ▼
Profit Before Taxation	1,492	-816	282.8% ▲	3,006	-1,699	276.9% ▲
Taxation	-399	189	310.6% ▲	-784	512	253.2% ▼
Profit After Taxation	1,094	-627	274.4% ▲	2,222	-1,187	287.2% ▲
Earnings Per Share	5.63	-3.23	274.4% ▲	11.44	-6.11	287.2% ▲
Dividend	0.00	0.00		1.00	0.00	
Bonus	0%	0%		0.00	0%	
Gross Margin	30.5%	0.2%	30.3% ▲	26.3%	4.9%	21.4% ▲
SG&A Expenses to Sales	-3.0%	-4.1%	1.1% ▼	-2.9%	-3.6%	0.8% ▼
Other Income to Sales	0.2%	0.3%	0.0% ▼	0.4%	0.4%	0.1% ▼
Ex. Gain / (Loss) to Sales	-3.0%	-4.1%	1.1% ▼	-2.9%	-3.6%	0.8% ▼
Effective Taxation	-26.7%	-23.2%	3.5% ▲	-26.1%	-30.1%	4.0% ▼
Net Margin	16.0%	-15.9%	31.9% ▲	12.1%	-8.8%	20.9% ▲

Source: ACPL Research, Company Financials

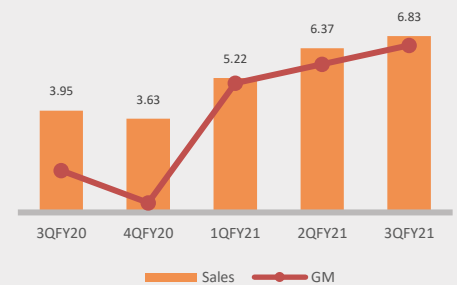
Key Statistics

Symbol	CHCC
TP - Dec 21	190.00
LDCP	161.00
Upside (%)	18
Free Float ('mn)	107
Market Cap. (Rs. 'mn)	31,282

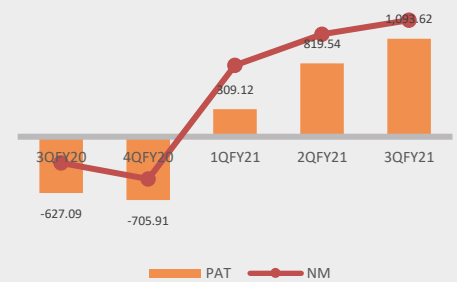
CHCC vs KSE 100



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	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	6,565	7,079	9,645	14,388	15,863	17,090	24,269	26,439	28,803
Cost of sale	4,582	4,445	6,432	11,249	12,980	16,704	17,779	19,221	20,798
Gross profit	1,984	2,634	3,213	3,139	2,883	386	6,490	7,218	8,005
Selling and promotion expenses	206	234	280	337	396	362	413	449	490
Administration expenses	164	192	225	245	294	272	291	317	346
Other operating expenses	105	156	143	134	109	19	243	223	206
Operating Profit	1,508	2,052	2,565	2,423	2,083	- 266	5,544	6,228	6,964
Other operating income	201	43	133	81	107	71	97	106	115
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	4,025	4,991	6,077
Taxation	383	646	553	15	- 715	- 830	1,015	1,251	1,514
Profit after taxation	1,288	1,405	1,957	2,132	1,763	- 1,893	3,010	3,740	4,564
EPS	6.63	7.23	10.07	10.97	9.07	- 9.74	15.49	19.25	23.49

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%	42.0%	8.9%	8.9%
Cost of sale	5.4%	-3.0%	44.7%	74.9%	15.4%	28.7%	6.4%	8.1%	8.2%
Gross profit	-5.7%	32.8%	22.0%	-2.3%	-8.2%	-86.6%	1579.2%	11.2%	10.9%
Selling and promotion expenses	9.2%	13.8%	19.5%	20.4%	17.6%	-8.7%	14.0%	8.9%	8.9%
Administration expenses	16.2%	17.0%	17.1%	9.0%	19.8%	-7.5%	7.2%	8.9%	8.9%
Other operating expenses	-20.7%	47.8%	-8.0%	-6.6%	-18.4%	-82.6%	1175.7%	-8.1%	-7.7%
Operating Profit	-8.0%	36.1%	25.0%	-5.5%	-14.0%	-112.8%	2181.7%	12.3%	11.8%
Other operating income	162.5%	-78.4%	207.7%	-39.2%	31.7%	-34.0%	37.6%	8.9%	8.9%
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%	247.8%	24.0%	21.8%
Taxation	3.1%	68.7%	-14.4%	-97.2%	-4789.1%	-16.0%	222.4%	23.2%	21.0%
Profit after taxation	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	259.0%	24.3%	22.0%
EPS	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	259.0%	24.3%	22.0%

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	26.74	27.30	27.79
NP Margin	%	19.62	19.85	20.28	14.82	11.11	-11.08	12.40	14.15	15.84
OP Margin	%	22.97	28.98	26.59	16.84	13.13	-1.56	22.84	23.56	24.18
ROE	%	16.05	15.37	18.70	19.08	14.99	-18.83	23.04	22.52	21.70
ROCE	%	14.91	10.29	12.05	7.94	6.06	-7.00	12.52	15.63	17.98
ROA	%	13.61	9.09	10.40	6.99	5.00	-5.75	9.22	10.61	11.42
Cost per ton	'mn	4.81	4.14	4.47	4.42	5.39	4.86	4.61	4.71	4.82
EBITDA per ton	'mn	1.63	2.19	2.10	1.40	1.34	0.42	1.75	1.81	1.88
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	0.72	1.04	1.66
Acid-test	x	1.21	0.56	0.93	0.83	0.62	0.70	0.44	0.76	1.35
Cash to current liab.	x	0.02	0.01	0.02	0.01	0.00	0.01	0.02	0.31	0.85
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Average Inventory	'mn	417	384	574	799	1,011	1,115	993	1,066	1,153
Inventory Turnover	x	11	12	11	14	13	15	18	18	18
Inventory Days		33	32	33	26	28	24	20	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	-28	-28	-28
Utilization	%	93	99	61	101	55	75	85	90	95
Export Revenue	%	29	21	13	12	14	14	13	14	15
Local Revenue	%	71	79	87	88	86	86	87	86	85
Export Market Share	%	6	6	6	10	14	24	26	29	32
Local Market Share	%	3	3	5	7	7	8	9	8	8
Total Market Share	%	3	3	4	5	5	7	7	7	7
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS		6.63	7.23	10.07	10.97	9.07	-9.74	15.49	19.25	23.49
DPS		3.00	3.25	4.50	5.00	1.00	0.00	1.00	0.75	3.00
Div. Yield	%	1.86	2.02	2.80	3.11	0.62	0.00	0.62	0.47	1.86
Dividend Cover		2.21	2.23	2.24	2.19	9.07	0.00	15.49	25.66	7.83
BVPS		41.31	47.04	53.84	57.51	60.51	51.74	67.23	85.48	108.22
Payout	%	45.25	44.94	44.69	45.56	11.02	0.00	6.46	3.90	12.77
Retention	%	54.75	55.06	55.31	54.44	88.98	100.00	93.54	96.10	87.23
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		24.28	22.26	15.99	14.67	17.75	0.00	10.39	8.36	6.85
Sales per share		33.79	36.44	49.64	74.05	81.64	87.96	124.91	136.07	148.25
P/BV		3.90	3.42	2.99	2.80	2.66	3.11	2.39	1.88	1.49
Price to Sales		4.76	4.42	3.24	2.17	1.97	1.83	1.29	1.18	1.09
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	1.33	0.82	0.47
L.T. Debt to Equity	x	0.02	0.44	0.47	1.35	1.51	1.73	1.13	0.66	0.35
Interest Cover	x	39.84	46.94	13.63	6.79	1.82	-0.11	3.43	4.64	6.95

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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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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