

CHCC has announced its FY22 result where it posted profit after tax of Rs4.46bn (EPS: Rs22.93) as compared to a profit after tax of Rs3.2bn (EPS: Rs16.5) in the same period last year, up by 39% YoY amid improved gross margins.

The company had posted a revenue of Rs32.09bn against Rs25.21bn in SPLY, recording a growth of 27.3% YoY.

The gross margin has been improved to 27.9% as compared to 26.7% in SPLY due to an increase in retention prices. SG&A expenses have increased by 21.9% YoY to Rs878mn as compared to Rs720mn during SPLY.

Moreover, an increase in the other income by 272.3% YoY and a decrease in finance cost by 10.8% YoY reinforced the bottom line. Furthermore, the effective taxation has increased to 34.7% as compared to 26.1% SPLY amid super tax imposition.

CHCC is currently trading at a FY23E P/E of 3.66x. Furthermore, scrip is also trading at a FY23E P/B of 0.91x which offers a discount of 41.6% relative to its historical 3-year average of 1.57x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs150 which provides an upside potential of 43%. Further, the scrip also provides a dividend yield of 4% which makes the total return of 47%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	9,504	6,786	40.1% ▲	32,085	25,207	27.3% ▲
Cost of Sales	-6,791	-4,903	38.5% ▲	-23,135	-18,479	25.2% ▲
Gross Profit	2,713	1,883	44.1% ▲	8,951	6,728	33.0% ▲
SG&A Expenses	-247	-191	29.2% ▲	-878	-720	21.9% ▲
Other Expenses	23	-82	128.3% ▼	-275	-251	9.5% ▲
Operating Profit	2,489	1,610	54.6% ▲	7,797	5,756	35.4% ▲
Other Income	87	40	117.5% ▲	390	105	272.3% ▲
Finance Cost	-454	-319	42.4% ▲	-1,359	-1,524	10.8% ▼
Profit Before Taxation	2,123	1,331	59.4% ▲	6,829	4,337	57.4% ▲
Taxation	-1,102	-349	216.1% ▲	-2,373	-1,132	109.6% ▲
Profit After Taxation	1,021	983	3.9% ▲	4,456	3,205	39.0% ▲
Earnings Per Share	5.25	5.06	3.9% ▲	22.93	16.50	39.0% ▲
Dividend	3.00	1.25	140.0% ▲	3.00	2.25	33.3% ▲
Bonus	0%	0%		0.00	0%	

Closing Period: Oct 5, 2022 - Oct 12, 2022

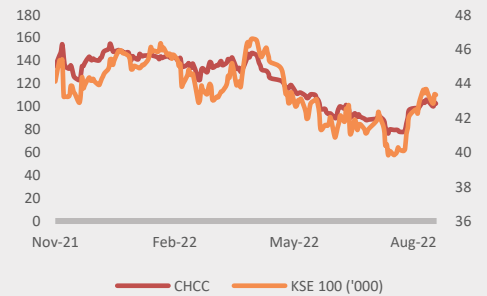
	28.5%	27.8%	0.8% ▲	27.9%	26.7%	1.2% ▲
Gross Margin						
SG&A Expenses to Sales	-2.6%	-2.8%	0.2% ▼	-2.7%	-2.9%	0.1% ▼
Other Income to Sales	0.9%	0.6%	0.3% ▲	1.2%	0.4%	0.8% ▲
Ex. Gain / (Loss) to Sales	-2.6%	-2.8%	0.2% ▼	-2.7%	-2.9%	0.1% ▼
Effective Taxation	-51.9%	-26.2%	25.7% ▲	-34.7%	-26.1%	8.6% ▲
Net Margin	10.7%	14.5%	3.7% ▼	13.9%	12.7%	1.2% ▲

Source: ACPL Research, Company Financials

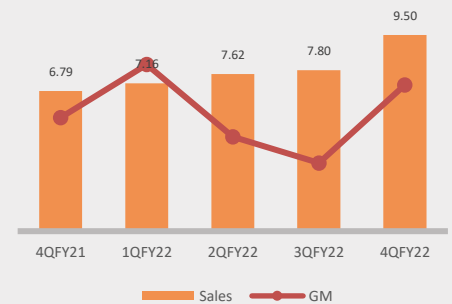
### Key Statistics

Symbol	CHCC
TP - Jun 23	150
LDPC	104.79
Upside (%)	43
Free Float ('mn)	117
Market Cap. (Rs. 'mn)	20,012

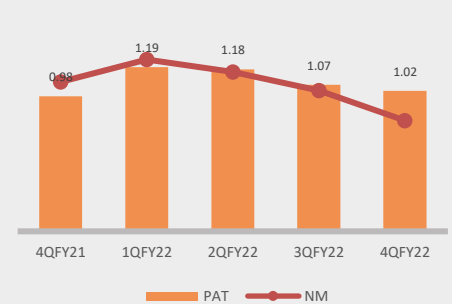
### CHCC vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	15,863	17,090	25,207	32,085	39,048	41,544	42,856
Cost of sale	12,980	16,704	18,479	23,135	28,166	29,680	30,310
<b>Gross profit</b>	<b>2,883</b>	<b>386</b>	<b>6,728</b>	<b>8,951</b>	<b>10,882</b>	<b>11,864</b>	<b>12,545</b>
Selling and promotion expenses	396	362	429	529	805	857	884
Administration expenses	294	272	291	349	577	614	633
Other operating expenses	109	19	251	275	280	298	307
<b>Operating Profit</b>	<b>2,083</b>	<b>- 266</b>	<b>5,756</b>	<b>7,797</b>	<b>9,219</b>	<b>10,095</b>	<b>10,721</b>
Other operating income	107	71	105	390	390	415	429
Finance cost	1,143	2,527	1,524	1,359	1,889	1,372	857
Profit before taxation	1,048	- 2,723	4,337	6,829	7,721	9,138	10,292
Taxation	- 715	- 830	1,132	2,373	2,162	2,589	2,934
<b>Profit after taxation</b>	<b>1,763</b>	<b>- 1,893</b>	<b>3,205</b>	<b>4,456</b>	<b>5,559</b>	<b>6,549</b>	<b>7,358</b>
EPS	<b>9.07</b>	<b>- 9.74</b>	<b>16.50</b>	<b>22.93</b>	<b>28.61</b>	<b>33.71</b>	<b>37.87</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	10.2%	7.7%	47.5%	27.3%	21.7%	6.4%	3.2%
Cost of sale	15.4%	28.7%	10.6%	25.2%	21.8%	5.4%	2.1%
<b>Gross profit</b>	<b>-8.2%</b>	<b>-86.6%</b>	<b>1640.9%</b>	<b>33.0%</b>	<b>21.6%</b>	<b>9.0%</b>	<b>5.7%</b>
Selling and promotion expenses	17.6%	-8.7%	18.6%	23.3%	52.2%	6.4%	3.2%
Administration expenses	19.8%	-7.5%	7.2%	19.9%	65.3%	6.4%	3.2%
Other operating expenses	-18.4%	-82.6%	1221.0%	9.5%	1.8%	6.4%	3.2%
<b>Operating Profit</b>	<b>-14.0%</b>	<b>-112.8%</b>	<b>2261.7%</b>	<b>35.4%</b>	<b>18.2%</b>	<b>9.5%</b>	<b>6.2%</b>
Other operating income	31.7%	-34.0%	48.7%	272.3%	0.0%	6.4%	3.2%
Finance cost	220.4%	121.2%	-39.7%	-10.8%	39.0%	-27.3%	-37.6%
Profit before taxation	-51.2%	-359.9%	259.3%	57.4%	13.1%	18.4%	12.6%
Taxation	-4789.1%	-16.0%	236.5%	109.6%	-8.9%	19.7%	13.3%
<b>Profit after taxation</b>	<b>-17.3%</b>	<b>-207.4%</b>	<b>269.3%</b>	<b>39.0%</b>	<b>24.7%</b>	<b>17.8%</b>	<b>12.4%</b>
EPS	<b>-17.3%</b>	<b>-207.4%</b>	<b>269.3%</b>	<b>39.0%</b>	<b>24.7%</b>	<b>17.8%</b>	<b>12.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	18.18	2.26	26.69	27.90	27.87	28.56	29.27
NP Margin	%	11.11	-11.08	12.72	13.89	14.24	15.76	17.17
OP Margin	%	13.13	-1.56	22.84	24.30	23.61	24.30	25.02
ROE	%	14.99	-18.83	23.58	25.79	24.98	23.37	21.32
ROCE	%	6.06	-7.00	11.91	17.19	20.11	21.58	20.06
ROA	%	5.00	-5.75	9.37	12.08	12.78	12.72	11.55
Cost per ton	'mn	5.39	4.86	4.69	8.43	9.35	9.49	9.61
EBITDA per ton	'mn	1.34	0.42	1.85	2.84	3.88	4.19	4.28
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.31	1.14	1.08	0.40	0.17	0.19	2.85
Acid-test	x	0.62	0.70	0.65	-0.51	-0.84	-0.88	1.15
Cash to current liab.	x	0.00	0.01	0.02	-1.33	-1.80	-1.90	-0.55
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Average Inventory	'mn	1,011	1,115	984	1,770	2,811	3,170	3,495
Inventory Turnover	x	13	15	19	13	10	9	9
Inventory Days		28	24	19	28	36	39	42
Receivables Days		7	6	6	7	7	7	7
Payables Days		52	47	55	48	48	48	48
Operating Cycle		-17	-16	-29	-13	-5	-2	1
Utilization	%	55	75	87	75	66	38	38
Export Revenue	%	14	14	13	14	16	15	14
Local Revenue	%	86	86	87	86	84	85	86
Export Market Share	%	14	24	20	19	18	18	17
Local Market Share	%	7	8	8	6	5	4	4
Total Market Share	%	5	7	7	5	4	3	3
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS		9.07	-9.74	16.50	22.93	28.61	33.71	37.87
DPS		1.00	0.00	2.25	3.00	4.00	4.50	5.00
Div. Yield	%	0.95	0.00	2.15	2.86	3.82	4.29	4.77
Dividend Cover		9.07	0.00	7.33	7.64	7.15	7.49	7.57
BVPS		60.51	51.74	69.94	88.92	114.53	144.24	177.61
Payout	%	11.02	0.00	13.64	13.08	13.98	13.35	13.20
Retention	%	88.98	100.00	86.36	86.92	86.02	86.65	86.80
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		11.55	0.00	6.35	4.57	3.66	3.11	2.77
Sales per share		81.64	87.96	129.73	165.14	200.97	213.82	220.57
P/BV		1.73	2.03	1.50	1.18	0.91	0.73	0.59
Price to Sales		1.28	1.19	0.81	0.63	0.52	0.49	0.48
Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	1.75	1.99	1.25	0.74	0.42	0.21	0.08
L.T. Debt to Equity	x	1.51	1.73	1.12	0.67	0.36	0.17	0.05
Interest Cover	x	1.82	-0.11	3.78	5.74	4.88	7.36	12.51

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- 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
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