

CHCC has announced its FY21 result where it posted a profit after tax of Rs3.2bn (EPS: Rs16.50) as compared to a loss after tax of Rs1.89bn (LPS: Rs9.74) in the same period last year, up by 269.3% YoY.

The company had posted a revenue of Rs25.2bn against Rs17.1bn in SPLY, recording a growth of 47.5% YoY. The gross margin has been improved enormously to 26.7% as compared to 23% in SPLY due to an increase in retention prices. SG&A expenses have increased by 13.7% YoY to Rs720mn as compared to Rs634mn during SPLY.

Lastly, an increase in the other income by 48.7% YoY and a decrease in finance cost by 39.7% 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 FY22E P/B of 1.82x which offers a discount of 35% relative to its historical 5-year average of 2.78. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs190 which provides an upside potential of 19%. Further, the script provides a dividend yield of 1.86%, which makes the total return of 21%.

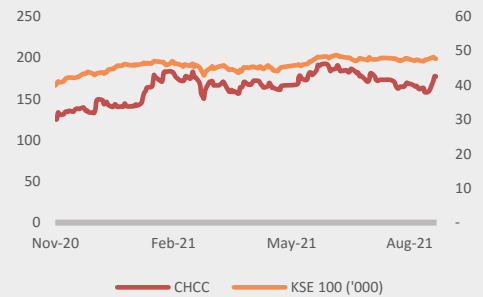
Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	6,786	3,630	86.9% ▲	25,207	17,090	47.5% ▲
Cost of Sales	-4,903	-3,908	25.5% ▲	-18,479	-16,704	10.6% ▲
Gross Profit	1,883	-278	778.0% ▼	6,728	386	1640.9% ▲
SG&A Expenses	-191	-143	33.4% ▲	-720	-634	13.7% ▲
Other Expenses	-82	-5	1558.4% ▲	-251	-19	1221.0% ▲
Operating Profit	1,610	-426	477.9% ▲	5,756	-266	2261.7% ▼
Other Income	40	12	241.5% ▲	105	71	48.7% ▲
Finance Cost	-319	-610	47.7% ▼	-1,524	-2,527	39.7% ▼
Profit Before Taxation	1,331	-1,024	230.0% ▲	4,337	-2,723	259.3% ▲
Taxation	-349	318	209.6% ▲	-1,132	830	236.5% ▲
Profit After Taxation	983	-706	239.2% ▲	3,205	-1,893	269.3% ▲
Earnings Per Share	5.06	-3.63	239.2% ▲	16.50	-9.74	269.3% ▲
Dividend	1.25	0.00		2.25	0.00	
Bonus	0%	0%		0.00	0%	
Gross Margin	27.8%	-7.7%	35.4% ▲	26.7%	2.3%	24.4% ▲
SG&A Expenses to Sales	-2.8%	-3.9%	1.1% ▼	-2.9%	-3.7%	0.9% ▼
Other Income to Sales	0.6%	0.3%	0.3% ▲	0.4%	0.4%	0.0% ▲
Ex. Gain / (Loss) to Sales	-2.8%	-3.9%	1.1% ▼	-2.9%	-3.7%	0.9% ▼
Effective Taxation	-26.2%	-31.1%	4.9% ▼	-26.1%	-30.5%	4.4% ▼
Net Margin	14.5%	-19.4%	33.9% ▲	12.7%	-11.1%	23.8% ▲

Source: ACPL Research, Company Financials

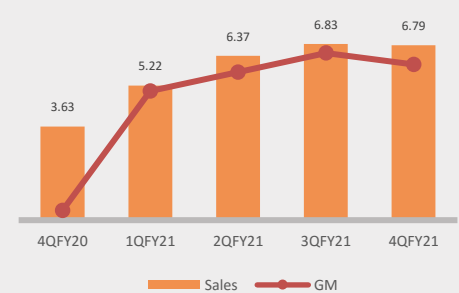
Key Statistics

Symbol	CHCC
TP - Jun 22	190.00
LDCP	161.00
Upside (%)	19
Free Float ('mn)	107
Market Cap. (Rs. 'mn)	31,282

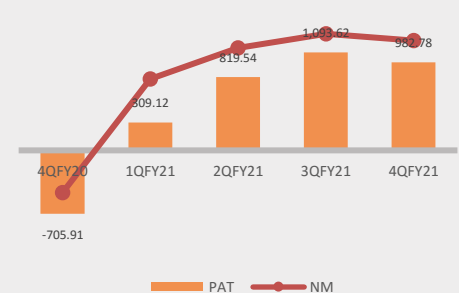
CHCC vs KSE 100



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	FY21A	FY22E	FY23E
Net sales	6,565	7,079	9,645	14,388	15,863	17,090	25,207	31,143	32,490
Cost of sale	4,582	4,445	6,432	11,249	12,980	16,704	18,479	22,990	24,194
Gross profit	1,984	2,634	3,213	3,139	2,883	386	6,728	8,153	8,296
Selling and promotion expenses	206	234	280	337	396	362	429	529	552
Administration expenses	164	192	225	245	294	272	291	374	390
Other operating expenses	105	156	143	134	109	19	251	263	232
Operating Profit	1,508	2,052	2,565	2,423	2,083	- 266	5,756	6,988	7,121
Other operating income	201	43	133	81	107	71	105	125	130
Finance cost	38	44	188	357	1,143	2,527	1,524	1,343	1,002
Profit before taxation	1,671	2,051	2,510	2,147	1,048	- 2,723	4,337	5,769	6,250
Taxation	383	646	553	15	- 715	- 830	1,132	1,447	1,567
Profit after taxation	1,288	1,405	1,957	2,132	1,763	- 1,893	3,205	4,323	4,683
EPS	6.63	7.23	10.07	10.97	9.07	- 9.74	16.50	22.25	24.10

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Net sales	1.8%	7.8%	36.2%	49.2%	10.2%	7.7%	47.5%	23.6%	4.3%
Cost of sale	5.4%	-3.0%	44.7%	74.9%	15.4%	28.7%	10.6%	24.4%	5.2%
Gross profit	-5.7%	32.8%	22.0%	-2.3%	-8.2%	-86.6%	1640.9%	21.2%	1.7%
Selling and promotion expenses	9.2%	13.8%	19.5%	20.4%	17.6%	-8.7%	18.6%	23.3%	4.3%
Administration expenses	16.2%	17.0%	17.1%	9.0%	19.8%	-7.5%	7.2%	28.3%	4.3%
Other operating expenses	-20.7%	47.8%	-8.0%	-6.6%	-18.4%	-82.6%	1221.0%	4.5%	-11.6%
Operating Profit	-8.0%	36.1%	25.0%	-5.5%	-14.0%	-112.8%	2261.7%	21.4%	1.9%
Other operating income	162.5%	-78.4%	207.7%	-39.2%	31.7%	-34.0%	48.7%	18.8%	4.3%
Finance cost	31.7%	15.5%	330.6%	89.5%	220.4%	121.2%	-39.7%	-11.9%	-25.4%
Profit before taxation	-1.0%	22.8%	22.3%	-14.4%	-51.2%	-359.9%	259.3%	33.0%	8.3%
Taxation	3.1%	68.7%	-14.4%	-97.2%	-4789.1%	-16.0%	236.5%	27.8%	8.3%
Profit after taxation	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	269.3%	34.9%	8.3%
EPS	-2.1%	9.1%	39.2%	9.0%	-17.3%	-207.4%	269.3%	34.9%	8.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	30.21	37.21	33.31	21.82	18.18	2.26	26.69	26.18	25.53	27.79
NP Margin	19.62	19.85	20.28	14.82	11.11	-11.08	12.72	13.88	14.41	15.84
OP Margin	22.97	28.98	26.59	16.84	13.13	-1.56	22.84	22.44	21.92	24.18
ROE	16.05	15.37	18.70	19.08	14.99	-18.83	24.17	25.21	22.04	21.70
ROCE	14.91	10.29	12.05	7.94	6.06	-7.00	13.22	17.67	18.29	17.98
ROA	13.61	9.09	10.40	6.99	5.00	-5.75	9.66	11.69	11.31	11.42
Cost per ton	4.81	4.14	4.47	4.42	5.39	4.86	4.72	6.07	6.26	4.82
EBITDA per ton	1.63	2.19	2.10	1.40	1.34	0.42	1.87	2.15	2.13	1.88
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	2.74	1.11	1.78	1.72	1.31	1.14	0.76	1.15	1.72	1.66
Acid-test	1.21	0.56	0.93	0.83	0.62	0.70	0.49	0.86	1.41	1.35
Cash to current liab.	0.02	0.01	0.02	0.01	0.00	0.01	0.06	0.35	0.85	0.85
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Average Inventory	417	384	574	799	1,011	1,115	1,014	1,195	1,359	1,153
Inventory Turnover	11	12	11	14	13	15	18	19	18	18
Inventory Days	33	32	33	26	28	24	20	19	21	20
Receivables Days		0	0	5	5	7	6	6	6	6
Payables Days	52	119	46	65	52	47	55	55	55	55
Operating Cycle	-19	-87	-9	-34	-17	-16	-29	-30	-28	-28
Utilization	93	99	61	101	55	75	82	84	85	95
Export Revenue	29	21	13	12	14	14	14	14	14	15
Local Revenue	71	79	87	88	86	86	86	86	86	85
Export Market Share	6	6	6	10	14	24	26	27	28	32
Local Market Share	3	3	5	7	7	8	8	8	8	8
Total Market Share	3	3	4	5	5	7	7	7	7	7
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
EPS	6.63	7.23	10.07	10.97	9.07	-9.74	16.50	22.25	24.10	23.49
DPS	3.00	3.25	4.50	5.00	1.00	0.00	2.25	3.00	3.00	3.00
Div. Yield	1.86	2.02	2.80	3.11	0.62	0.00	1.40	1.86	1.86	1.86
Dividend Cover	2.21	2.23	2.24	2.19	9.07	0.00	7.33	7.42	8.03	7.83
BVPS	41.31	47.04	53.84	57.51	60.51	51.74	68.24	88.24	109.34	108.22
Payout	45.25	44.94	44.69	45.56	11.02	0.00	13.64	13.48	12.45	12.77
Retention	54.75	55.06	55.31	54.44	88.98	100.00	86.36	86.52	87.55	87.23
No. of Shares	194.29	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	9.76	7.24	6.68	6.85
Sales per share	33.79	36.44	49.64	74.05	81.64	87.96	129.73	160.29	167.22	148.25
P/BV	3.90	3.42	2.99	2.80	2.66	3.11	2.36	1.82	1.47	1.49
Price to Sales	4.76	4.42	3.24	2.17	1.97	1.83	1.24	1.00	0.96	1.09
Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Debt to Equity	0.03	0.46	0.61	1.44	1.75	1.99	1.31	0.79	0.47	0.47
L.T. Debt to Equity	0.02	0.44	0.47	1.35	1.51	1.73	1.11	0.64	0.34	0.35
Interest Cover	39.84	46.94	13.63	6.79	1.82	-0.11	3.78	5.20	7.11	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
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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