

CHCC has announced its 1QFY23 result where it posted a profit after tax of Rs1.48bn (EPS: Rs7.63) as compared to a profit after tax of Rs1.19bn (EPS: Rs6.14) in the same period last year, up by 24.3% YoY amid higher retention prices.

The company has posted a revenue of Rs9.05bn against Rs7.16bn in SPLY, recording a growth of 26.4% YoY. The gross margin has been improved to 32% as compared to 29% in SPLY. SG&A expenses have increased by 20.2% YoY to R236mn as compared to Rs197mn during SPLY.

Furthermore, other expenses and income decreased by 23.3% and 64.8% respectively during SPLY. Moreover, finance costs went up by 60.6% to 480mn due to an increase in interest rates. In addition, the effective taxation increased to 30.4% as compared to 25.8% SPLY.

CHCC is currently trading at a FY23E P/E of 4.59x. Furthermore, the scrip is also trading at a FY23E P/B of 0.96x which offers a discount of 47.2% relative to its historical 3-year average of 1.81x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs150 which provides an upside potential of 23%. Further, the scrip also provides a dividend yield of 3.5% which makes the total return of 27%.

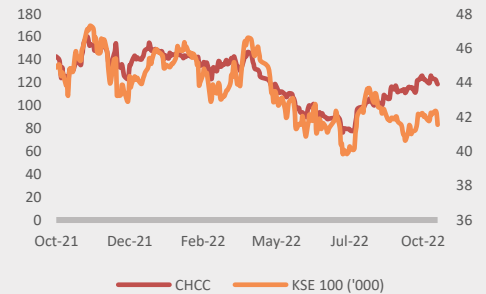
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	9,050	7,161	26.4% ▲	32,085	25,207	27.3% ▲
Cost of Sales	-6,155	-5,082	21.1% ▲	-23,135	-18,479	25.2% ▲
<b>Gross Profit</b>	<b>2,895</b>	<b>2,079</b>	<b>39.2% ▲</b>	<b>8,951</b>	<b>6,728</b>	<b>33.0% ▲</b>
SG&A Expenses	-236	-197	20.2% ▲	-878	-720	21.9% ▲
Other Expenses	-103	-134	23.3% ▼	-275	-251	9.5% ▲
<b>Operating Profit</b>	<b>2,556</b>	<b>1,749</b>	<b>46.2% ▲</b>	<b>7,797</b>	<b>5,756</b>	<b>35.4% ▲</b>
Other Income	55	156	64.8% ▼	390	105	272.3% ▲
Finance Cost	-480	-299	60.6% ▲	-1,359	-1,524	10.8% ▼
Profit Before Taxation	2,131	1,607	32.6% ▲	6,829	4,337	57.4% ▲
Taxation	-648	-414	56.6% ▲	-2,373	-1,132	109.6% ▲
<b>Profit After Taxation</b>	<b>1,483</b>	<b>1,193</b>	<b>24.3% ▲</b>	<b>4,456</b>	<b>3,205</b>	<b>39.0% ▲</b>
Earnings Per Share	7.63	6.14	24.3% ▲	22.93	16.50	39.0% ▲
Dividend	0.00	0.00	-	3.00	2.25	33.3% ▲
Bonus	0%	0%	-	0.00	0%	-
Gross Margin	32.0%	29.0%	3.0% ▲	27.9%	26.7%	1.2% ▲
SG&A Expenses to Sales	-2.6%	-2.7%	0.1% ▼	-2.7%	-2.9%	0.1% ▼
Other Income to Sales	0.6%	2.2%	1.6% ▼	1.2%	0.4%	0.8% ▲
Ex. Gain / (Loss) to Sales	-2.6%	-2.7%	0.1% ▼	-2.7%	-2.9%	0.1% ▼
Effective Taxation	-30.4%	-25.8%	4.7% ▲	-34.7%	-26.1%	8.6% ▲
Net Margin	16.4%	16.7%	0.3% ▼	13.9%	12.7%	1.2% ▲

Source: ACPL Research, Company Financials

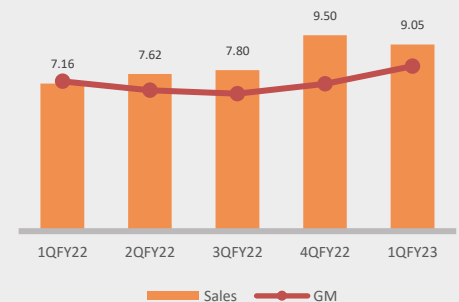
## Key Statistics

Symbol	CHCC
TP - Jun 23	150
LDCP	121.20
Upside (%)	23
Free Float ('mn)	117
Market Cap. (Rs. 'mn)	23,548

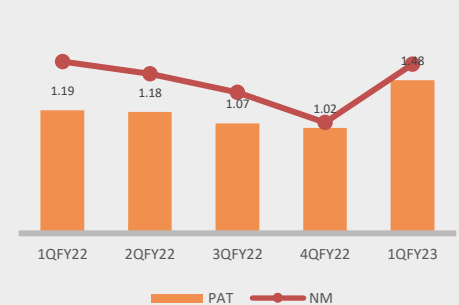
## CHCC vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116  
Email: salman@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	17,090	25,207	32,085	35,372	37,630	40,031	42,585
Cost of sale	16,704	18,479	23,135	24,620	25,906	27,528	29,340
<b>Gross profit</b>	<b>386</b>	<b>6,728</b>	<b>8,951</b>	<b>10,752</b>	<b>11,724</b>	<b>12,503</b>	<b>13,245</b>
Selling and promotion expenses	362	429	529	511	882	939	999
Administration expenses	272	291	349	413	674	717	762
Other operating expenses	19	251	275	401	454	483	514
<b>Operating Profit</b>	<b>- 266</b>	<b>5,756</b>	<b>7,797</b>	<b>9,427</b>	<b>9,714</b>	<b>10,365</b>	<b>10,970</b>
Other operating income	71	105	390	215	229	244	259
Finance cost	2,527	1,524	1,359	2,075	1,506	955	115
Profit before taxation	- 2,723	4,337	6,829	7,568	8,437	9,653	11,114
Taxation	- 830	1,132	2,373	2,442	2,719	3,108	3,574
<b>Profit after taxation</b>	<b>- 1,893</b>	<b>3,205</b>	<b>4,456</b>	<b>5,126</b>	<b>5,718</b>	<b>6,545</b>	<b>7,540</b>
EPS	- 9.74	16.50	22.93	26.38	29.43	33.69	38.81

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	7.7%	47.5%	27.3%	10.2%	6.4%	6.4%	6.4%
Cost of sale	28.7%	10.6%	25.2%	6.4%	5.2%	6.3%	6.6%
<b>Gross profit</b>	<b>-86.6%</b>	<b>1640.9%</b>	<b>33.0%</b>	<b>20.1%</b>	<b>9.0%</b>	<b>6.6%</b>	<b>5.9%</b>
Selling and promotion expenses	-8.7%	18.6%	23.3%	-3.5%	72.7%	6.4%	6.4%
Administration expenses	-7.5%	7.2%	19.9%	18.3%	63.1%	6.4%	6.4%
Other operating expenses	-82.6%	1221.0%	9.5%	45.7%	13.3%	6.4%	6.4%
<b>Operating Profit</b>	<b>-112.8%</b>	<b>2261.7%</b>	<b>35.4%</b>	<b>20.9%</b>	<b>3.0%</b>	<b>6.7%</b>	<b>5.8%</b>
Other operating income	-34.0%	48.7%	272.3%	-44.9%	6.4%	6.4%	6.4%
Finance cost	121.2%	-39.7%	-10.8%	52.7%	-27.4%	-36.6%	-88.0%
Profit before taxation	-359.9%	259.3%	57.4%	10.8%	11.5%	14.4%	15.1%
Taxation	-16.0%	236.5%	109.6%	2.9%	11.4%	14.3%	15.0%
<b>Profit after taxation</b>	<b>-207.4%</b>	<b>269.3%</b>	<b>39.0%</b>	<b>15.0%</b>	<b>11.5%</b>	<b>14.5%</b>	<b>15.2%</b>
EPS	-207.4%	269.3%	39.0%	15.0%	11.5%	14.5%	15.2%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	2.26	26.69	27.90	30.40	31.16	31.23	31.10
NP Margin	%	-11.08	12.72	13.89	14.49	15.19	16.35	17.71
OP Margin	%	-1.56	22.84	24.30	26.65	25.81	25.89	25.76
ROE	%	-18.83	23.58	25.73	20.83	19.29	18.48	388.09
ROCE	%	-7.00	11.91	15.49	16.18	17.01	16.75	300.84
ROA	%	-5.75	9.37	11.54	13.93	13.00	11.72	11.29
Cost per ton	'mn	4.86	4.69	6.47	9.67	9.68	9.78	9.92
EBITDA per ton	'mn	0.42	1.85	2.56	4.34	4.24	4.22	4.19
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.14	1.08	1.06	1.28	2.28	6.31	9.02
Acid-test	x	0.70	0.65	0.93	1.10	2.08	5.91	8.50
Cash to current liab.	x	0.01	0.02	0.11	-0.01	0.86	3.75	5.99
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,115	984	966	956	1,011	1,258	1,729
Inventory Turnover	x	15	19	24	26	26	22	17
Inventory Days		24	19	15	14	14	17	22
Receivables Days		6	6	6	6	6	6	6
Payables Days		47	45	45	45	45	45	45
Operating Cycle		-16	-19	-24	-25	-25	-23	-18
Utilization	%	75	87	67	48	33	34	36
Export Revenue	%	14	13	8	2	2	3	3
Local Revenue	%	86	87	92	98	98	97	97
Export Market Share	%	24	20	32	6	7	8	9
Local Market Share	%	8	8	8	6	6	6	6
Total Market Share	%	7	7	7	5	5	5	5
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		-9.74	16.50	22.93	26.38	29.43	33.69	38.81
DPS		0.00	2.25	3.00	3.50	4.00	4.50	5.50
Div. Yield	%	0.00	1.86	2.48	2.89	3.30	3.71	4.54
Dividend Cover		0.00	7.33	7.64	7.54	7.36	7.49	7.06
BVPS		51.74	69.94	89.12	126.66	152.59	182.28	10.00
Payout	%	0.00	13.64	13.08	13.27	13.59	13.36	14.17
Retention	%	100.00	86.36	86.92	86.73	86.41	86.64	85.83
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		0.00	7.35	5.28	4.59	4.12	3.60	3.12
Sales per share		87.96	129.73	165.14	182.05	193.68	206.03	219.18
P/BV		2.34	1.73	1.36	0.96	0.79	0.66	12.12
Price to Sales		1.38	0.93	0.73	0.67	0.63	0.59	0.55
Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	1.99	1.25	0.93	0.42	0.23	0.10	0.15
L.T. Debt to Equity	x	1.73	1.12	0.75	0.40	0.22	0.10	0.00
Interest Cover	x	-0.11	3.78	5.74	4.54	6.45	10.85	95.42

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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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: [research@abbasiandcompany.com](mailto:research@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: [info@abbasiandcompany.com](mailto:info@abbasiandcompany.com)

web: [www.abbasiandcompany.com](http://www.abbasiandcompany.com)