

CHCC has announced its 9MFY22 result where it posted profit after tax of Rs3.43bn (EPS: Rs17.68) as compared to a profit after tax of Rs2.22bn (EPS: Rs11.44) in the same period last year, up by 54.6% YoY.

The company had posted a revenue of Rs22.58bn against Rs18.42bn in SPLY, recording a growth of 22.6% YoY.

The gross margin has been improved to 27.6% as compared to 26.3% in SPLY due to an increase in retention prices. SG&A expenses have increased by 19.3% YoY to Rs631mn as compared to Rs529mn during SPLY.

Lastly, an increase in the other income by 367.2% YoY and a decrease in finance cost by 24.9% YoY reinforced the bottom-line.

CHCC is currently trading at a FY22E P/E of 5.72x. The scrip is also trading at a FY22E P/B of 1.48x which offers a discount of 33% relative to its historical 3-year average of 2.21x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs160 which provides an upside potential of 21%. Further, the scrip also provides a dividend yield of 2% which makes the total return of 23%.

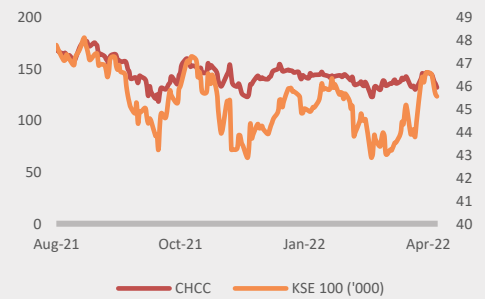
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	7,803	6,832	14.2% ▲	22,581	18,421	22.6% ▲
Cost of Sales	-5,723	-4,748	20.5% ▲	-16,344	-13,576	20.4% ▲
<b>Gross Profit</b>	<b>2,080</b>	<b>2,084</b>	<b>0.2% ▼</b>	<b>6,238</b>	<b>4,845</b>	<b>28.7% ▲</b>
SG&A Expenses	-221	-204	8.4% ▲	-631	-529	19.3% ▲
Other Expenses	-94	-83	12.7% ▲	-299	-169	76.3% ▲
<b>Operating Profit</b>	<b>1,765</b>	<b>1,797</b>	<b>1.8% ▼</b>	<b>5,308</b>	<b>4,146</b>	<b>228.0% ▼</b>
Other Income	15	17	8.8% ▼	304	65	367.2% ▲
Finance Cost	-305	-321	5.0% ▼	-905	-1,206	24.9% ▼
Profit Before Taxation	1,475	1,492	1.2% ▼	4,706	3,006	56.6% ▲
Taxation	-410	-399	2.8% ▲	-1,271	-784	62.2% ▲
<b>Profit After Taxation</b>	<b>1,065</b>	<b>1,094</b>	<b>2.6% ▼</b>	<b>3,435</b>	<b>2,222</b>	<b>54.6% ▲</b>
Earnings Per Share	5.48	5.63	2.6% ▼	17.68	11.44	54.6% ▲
Dividend	0.00	0.00	N/A	0.00	1.00	100.0% ▼
Bonus	0%	0%		0.00	0%	
Gross Margin	26.7%	30.5%	3.8% ▼	27.6%	26.3%	1.3% ▲
SG&A Expenses to Sales	-2.8%	-3.0%	0.2% ▼	-2.8%	-2.9%	0.1% ▼
Other Income to Sales	0.2%	0.2%	0.0% ▼	1.3%	0.4%	1.0% ▲
Ex. Gain / (Loss) to Sales	-2.8%	-3.0%	0.2% ▼	-2.8%	-2.9%	0.1% ▼
Effective Taxation	-27.8%	-26.7%	1.1% ▲	-27.0%	-26.1%	0.9% ▲
Net Margin	13.7%	16.0%	2.4% ▼	15.2%	12.1%	3.1% ▲

Source: ACPL Research, Company Financials

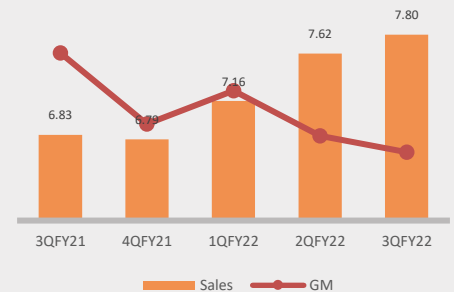
## Key Statistics

Symbol	CHCC
TP - Dec 22	160.00
LDGP	132.01
Upside (%)	21
Free Float ('mn)	116
Market Cap. (Rs. 'mn)	25,472

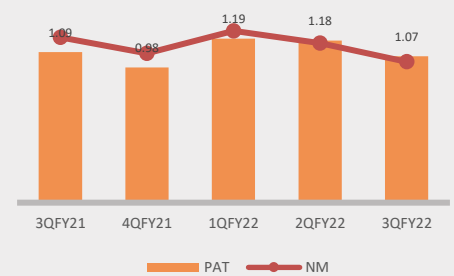
## CHCC vs KSE 100



## 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	FY22E	FY23E	FY24E	FY25E
Net sales	15,863	17,090	25,207	31,482	34,363	36,919	39,644
Cost of sale	12,980	16,704	18,479	23,564	25,967	28,375	30,278
<b>Gross profit</b>	<b>2,883</b>	<b>386</b>	<b>6,728</b>	<b>7,918</b>	<b>8,396</b>	<b>8,544</b>	<b>9,367</b>
Selling and promotion expenses	396	362	429	472	515	554	595
Administration expenses	294	272	291	378	412	443	476
Other operating expenses	109	19	251	472	291	306	340
<b>Operating Profit</b>	<b>2,083</b>	<b>- 266</b>	<b>5,756</b>	<b>6,596</b>	<b>7,177</b>	<b>7,241</b>	<b>7,956</b>
Other operating income	107	71	105	630	687	738	793
Finance cost	1,143	2,527	1,524	1,244	1,274	935	597
Profit before taxation	1,048	- 2,723	4,337	5,981	6,590	7,044	8,152
Taxation	- 715	- 830	1,132	1,496	1,657	1,780	2,070
<b>Profit after taxation</b>	<b>1,763</b>	<b>- 1,893</b>	<b>3,205</b>	<b>4,485</b>	<b>4,933</b>	<b>5,264</b>	<b>6,082</b>
EPS	<b>9.07</b>	<b>- 9.74</b>	<b>16.50</b>	<b>23.08</b>	<b>25.39</b>	<b>27.09</b>	<b>31.30</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	10.2%	7.7%	47.5%	24.9%	9.2%	7.4%	7.4%
Cost of sale	15.4%	28.7%	10.6%	27.5%	10.2%	9.3%	6.7%
<b>Gross profit</b>	<b>-8.2%</b>	<b>-86.6%</b>	<b>1640.9%</b>	<b>17.7%</b>	<b>6.0%</b>	<b>1.8%</b>	<b>9.6%</b>
Selling and promotion expenses	17.6%	-8.7%	18.6%	10.0%	9.2%	7.4%	7.4%
Administration expenses	19.8%	-7.5%	7.2%	29.7%	9.2%	7.4%	7.4%
Other operating expenses	-18.4%	-82.6%	1221.0%	87.9%	-38.4%	5.3%	11.0%
<b>Operating Profit</b>	<b>-14.0%</b>	<b>-112.8%</b>	<b>2261.7%</b>	<b>14.6%</b>	<b>8.8%</b>	<b>0.9%</b>	<b>9.9%</b>
Other operating income	31.7%	-34.0%	48.7%	500.2%	9.2%	7.4%	7.4%
Finance cost	220.4%	121.2%	-39.7%	-18.4%	2.4%	-26.6%	-36.2%
Profit before taxation	-51.2%	-359.9%	259.3%	37.9%	10.2%	6.9%	15.7%
Taxation	-4789.1%	-16.0%	236.5%	32.1%	10.8%	7.4%	16.3%
<b>Profit after taxation</b>	<b>-17.3%</b>	<b>-207.4%</b>	<b>269.3%</b>	<b>39.9%</b>	<b>10.0%</b>	<b>6.7%</b>	<b>15.5%</b>
EPS	<b>-17.3%</b>	<b>-207.4%</b>	<b>269.3%</b>	<b>39.9%</b>	<b>10.0%</b>	<b>6.7%</b>	<b>15.5%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	18.18	2.26	26.69	25.15	24.43	23.14	23.63
NP Margin	%	11.11	-11.08	12.72	14.25	14.36	14.26	15.34
OP Margin	%	13.13	-1.56	22.84	20.95	20.89	19.61	20.07
ROE	%	14.99	-18.83	23.58	25.92	22.78	20.06	19.22
ROCE	%	6.06	-7.00	11.91	17.28	18.24	18.42	17.98
ROA	%	5.00	-5.75	9.37	12.73	12.38	11.65	11.11
Cost per ton	'mn	5.39	4.86	4.69	6.91	7.30	7.63	7.80
EBITDA per ton	'mn	1.34	0.42	1.85	2.42	2.63	2.67	2.67
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.31	1.14	1.08	0.20	-0.25	-0.55	1.32
Acid-test	x	0.62	0.70	0.65	-0.70	-1.21	-1.57	-0.26
Cash to current liab.	x	0.00	0.01	0.02	-1.53	-2.12	-2.56	-1.81
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	1,011	1,115	984	1,794	2,714	2,978	3,214
Inventory Turnover	x	13	15	19	13	10	10	9
Inventory Days		28	24	19	28	38	38	39
Receivables Days		7	6	6	7	7	7	7
Payables Days		52	47	55	48	48	48	48
Operating Cycle		-17	-16	-29	-13	-3	-3	-2
Utilization	%	55	75	87	75	78	45	47
Export Revenue	%	14	14	13	14	14	13	13
Local Revenue	%	86	86	87	86	86	87	87
Export Market Share	%	14	24	20	19	19	19	19
Local Market Share	%	7	8	8	6	5	5	4
Total Market Share	%	5	7	7	5	4	4	3
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS		9.07	-9.74	16.50	23.08	25.39	27.09	31.30
DPS		1.00	0.00	2.25	3.00	3.50	3.50	4.50
Div. Yield	%	0.76	0.00	1.70	2.27	2.65	2.65	3.41
Dividend Cover		9.07	0.00	7.33	7.69	7.25	7.74	6.96
BVPS		60.51	51.74	69.94	89.07	111.46	135.05	162.86
Payout	%	11.02	0.00	13.64	13.00	13.78	12.92	14.38
Retention	%	88.98	100.00	86.36	87.00	86.22	87.08	85.62
No. of Shares	'mn	194.29	194.29	194.29	194.29	194.29	194.29	194.29
P/E		14.55	0.00	8.00	5.72	5.20	4.87	4.22
Sales per share		81.64	87.96	129.73	162.03	176.86	190.01	204.04
P/BV		2.18	2.55	1.89	1.48	1.18	0.98	0.81
Price to Sales		1.62	1.50	1.02	0.81	0.75	0.69	0.65
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.75	1.99	1.25	0.74	0.43	0.23	0.09
L.T. Debt to Equity	x	1.51	1.73	1.12	0.66	0.37	0.18	0.05
Interest Cover	x	1.82	-0.11	3.78	5.30	5.63	7.74	13.32

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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- 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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