

Flash Note

Monday, 23 January 2017

Cements

CHCC: Additional 2.1mn tpa expansion announced

- As per the latest company's notice to PSX, BoD's of Cherat Cement Company Ltd (CHCC) has decided to expand its existing cement capacity by 7100tpd with installation of Line III at its existing site in Nowshera, KPK.
- To recall, this expansion is in addition to company's new cement production line of ~1.3mn tpa (Line II) which started commercial operations last week. Cherat currently operates with ~8000tpd of cement capacity where Line III is anticipated to enhance overall capacity to ~15000tpd.
- The project is estimated to cost PKR 13-15bn which will be fully debt financed.
- The project is expected to take 30-36 months to come online.

Exhibit:

CHCC Expected Capacity post-expansion plans

	Cement (tpd)	Operational Capacity (tpa)	Projected Capacity (tpa)
Line I	3,675	1,102,500	1,102,500
Line II*	4,410	1,323,000	1,323,000
Line III**	7,100	-	2,130,000
Total		2,425,500	4,555,500

Source: Company Accounts ,PSX

*Started commercial operation in Jan-17

**Expected in FY20

Recommendation

We maintain our **'HOLD'** call on CHCC with Dec-17 target price of PKR 180/share. We await further details from management on the subject matter to incorporate its impact on TP.

Analyst

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Time Horizon: Dec - 2017

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