

Flash Note

Friday, 20 January 2017

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Securities

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Cements

CHCC: Commencement of Line II and WHR

- As per the company's notice, Cherat Cement Company Ltd (CHCC) has successfully started commercial operations of its Line II (grey cement) and WHR power plant.
- Company's new production line of 4,200tpd will enhance overall capacity to 7,700tpd of clinker. Keeping in view, the current industry utilization levels and robust domestic demand, CHCC is well poised to reap benefits of first mover until other expansions in north becomes operational by FY19E.
- The project cost of brownfield expansion (~1.3mn tpa of cement) along with 6MW of WHR plant is estimated at PKR ~11bn where debt financing is limited to ~40%.
- The 6MW WHR plant is estimated to provide annualized savings of PKR ~1.6/share.

Recommendation

We maintain our **'HOLD'** call on CHCC with our Dec-17 target price of PKR 180/share. The scrip is currently trading at FY17E/FY18F P/E multiple of 11.55x/9.72x.

Analyst

Jawad Ameer Ali

jawad.ameer@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816

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| Recommendation | Rating System |
|----------------|--|
| Buy | If target price on aforementioned security(ies) is more than 10%, from its last closing price(s) |
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Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Research Team

| | | | |
|-----------------|-------------------------|-------------------------------------|----------------------------|
| Saad Khan | Deputy Head of Research | Tel: (+92-21) 111-234-234 Ext.: 810 | saad.khan@igi.com.pk |
| Abdullah Farhan | Research Analyst | Tel: (+92-21) 111-234-234 Ext.: 912 | abdullah.farhan@igi.com.pk |
| Yawar Saeed | Research Analyst | Tel: (+92-21) 111-234-234 Ext.: 973 | yawar.saeed@igi.com.pk |
| Anjali Kukreja | Research Analyst | Tel: (+92-21) 111-234-234 Ext.: 957 | anjali.kukreja@igi.com.pk |
| Jawad Ameer Ali | Research Analyst | Tel: (+92-21) 111-234-234 Ext.: 816 | jawad.ameer@igi.com.pk |
| Umesh Solanki | Database Manager | Tel: (+92-21) 111-234-234 Ext.: 966 | umesh.solanki@igi.com.pk |

Equity Sales

| | | | |
|-------------------|-----------------------------|---------------------------|----------------------------|
| Faisal Jawed Khan | Head of Equities | Tel: (+92-21) 35301779 | faisal.jawed@igi.com.pk |
| Zaeem Haider Khan | Regional Head (North) | Tel: (+92-42) 35777863-70 | zaeem.haider@igi.com.pk |
| Muhammad Naveed | Branch Manager (Islamabad) | Tel: (+92-51) 2604861-2 | muhammad.naveed@igi.com.pk |
| Gul Hussain | Branch Manager (Faisalabad) | Tel: (+92-41) 2540843-45 | gul.hussain@igi.com.pk |
| Asif Saleem | Branch Manager (RY Khan) | Tel: (+92-68) 5871652-6 | asif.saleem@igi.com.pk |
| Mehtab Ali | Branch Manager (Multan) | Tel: (+92-61) 4512003 | mahtab.ali@igi.com.pk |
| Zeeshan Kayani | Branch Manager (Abbottabad) | Tel: (92-992) 408243-44 | zeeshan.kayani@igi.com.pk |

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
Gulberg II, Lahore
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road, Faisalabad
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road, Multan
Phone: (92-992) 408243 - 44

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area, Islamabad
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road, Rahim Yar Khan
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Abbottabad Office

Ground Floor, Al Fatah ShoppingCenter, Opp. Radio
Station, MansehraRoad, Abbottabad
Phone: (+92-99) 2408243 - 44