

Bestway Cement.... Highest capacity!

We initiate our coverage for BWCL. Our thrust for coverage is due to a whopping 46% gross margin (FY15: 39%).

BWCL have started to get advantage of economies of scale due to the acquisition of PAKCEM; now total capacity is higher than LUCK, as per cement association website.

The company will be the biggest beneficiary of the boom in the construction industry because of its presence in the heartland of Punjab province.

Post-acquisition... BWCL's operational capacity has reached 7.9mn tpa (previously 6mn tpa) making it the biggest cement producer in the country. BWCL currently has 22% of capacity-based market share of the northern zone. The increased capacity has enabled BWCL to increase its sales. The overall impact is 40% at the outgoing FY16.

Legacy of yesteryears... Maintaining the pace of FY16 results, the company have maintained a 1QFY17 GP margin of 46% (1QFY16: 39.7%). The EPS for the first quarter is 5.43, showing an increase of 60% as against last corresponding year. We expect increase in dispatch numbers would make a good impact on the bottom line, going forward (we expect Rs23/sh – Rs24/sh EPS in the on-going FY17).

Optimism... We expect BWCL to continue with the performance considering their market leadership. Even though, the nature of competition with rivals could be restricted in lieu of provincial government spending. We expect pace of dispatches to increase from all companies wherein BWCL to take advantage of its economy of scale (having four plants at different locations).

Dividend galore... The company have announced to pay FY16 cash of Rs 10/sh (FY15: Rs.10) maintaining pay-out ratio around 50%. Wherein they have also announced 1QFY17 cash dividend of Rs3/sh (1QFY16: Rs.2.5).

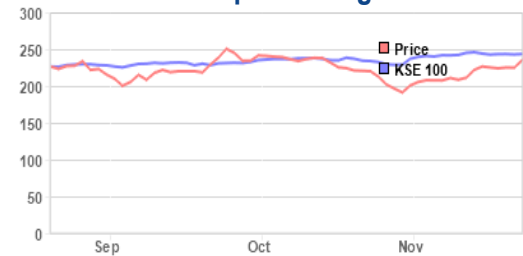
Valuation saga... Considering mega infrastructure works part of CPEC along with public and private construction projects, we remain optimistic about BWCL. BWCL yields FY17 PE of 10.8x based on our earnings forecast wherein enterprise value is set to increase from Rs265/sh alongside ROE of 38%.

Analyst:
Adil Mirza, ACCA
+92 21 32461427
researchdesk@scstrade.com
www.scstrade.com

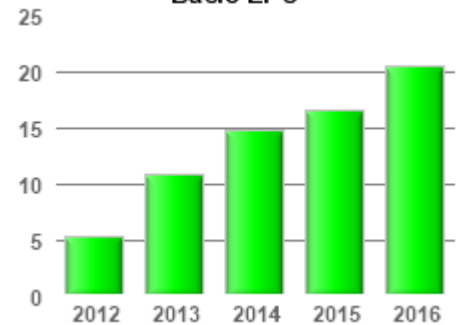
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BWCL @ 256
52 Week Low 127.50
52 Week High 259.80
Total no. of shares 596.25mn
Market Capitalization 140.20bn
Beta 1.26
Annual EPS FY16 20.16
P/E (current) 12.25

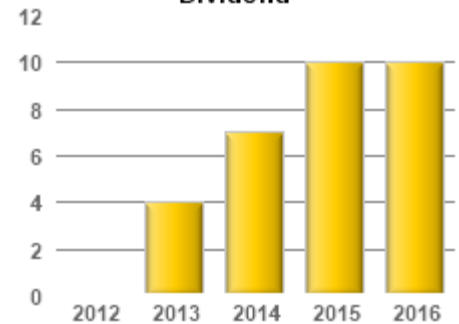
Started outperforming

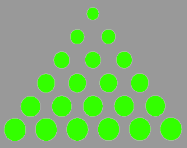


Basic EPS



Dividend





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