

Cherat Packaging: FY17PE 8.6x....

We re-initiate our coverage on Cherat packaging Limited (CPPL). Our drive for coverage is the expansion plan initiated by CPPL (Ghulam Farooq Group) and the upcoming plans to further expand and increase the production capacity albeit growth in in cement offtake. We see significant improvement in demand for cement in the country is having a positive impact on sales of packaging bags produced by CPPL, which is leading listed player.

- **We expect CPPL to report 2Q EPS of Rs6.2/sh – wherein we expect expansion impact may come in 2HFY17 as per company reports. Hence we have tabulated FY17 EPS of Rs38.8/sh versus Rs 31.55/sh reported in FY16. CPPL deciphers FY17PE of 8.6x. CPPL is also dividend payer.**

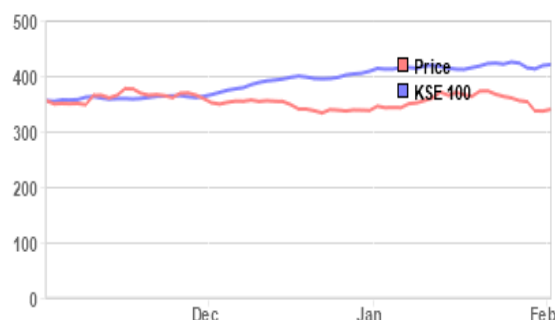
Establishment of infrastructural projects and commencement of projects under CPEC will further boost off-take of cement in the country, as being envisaged by various government agencies. CPPL is one of the prominent players in the cement packaging business. In addition to the cement industry, the company is also producing PP bags for sugar, chemical and other similar industries.

CPPL is set to subsequently increase capacity with the 5th line of papersack plant. We see some potential for future margins of CPPL amid the expansion helping CPPL to enjoy better market share and economies of scale. Earlier, CPPL shown increased export of PP bags and also supplied its bags to various industries like sugar, fertilizer chemicals wherein main sales remained directed to cement sector.

REP-033 | www.jamapunji.pk

CPPL@ 334
52week low 270.00
52week high 427.00
Beta 0.70
Total no. of shares 29.61mn
Market Capitalization Rs10.05bn
Enterprise value Rs10.6bn

Relative index CPPL – Underperforming KSE100



Highlights

- Installed capacity of CPPL: 410mn bags / annum. Another 50mn PP bags capacity will be added in the second phase in 2017
- Set to increase with 5th line (anticipated after FY17)
- Collaboration with Mondi Packaging and BSW – Windmoller & Holscher
- CPPL is well positioned to meet the requirements of its customers

Assim Valli (ACCA affiliate)

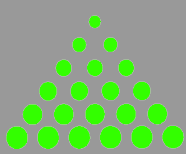
+92 111 111 721 Ext 123

+35290460

CPPL P&L estimations

	2016	2017	CHG
Net turnover	6,888,605	7,404,519	7.49%
GP Margin	22.97%	25.28%	10.08%
Gross profit	1,582,067	1,871,929	18.32%
Net profit to sales	13.33%	15.25%	14.41%
PAT	918,239	1,129,189	22.97%
EPS	31.55	38.79	22.97%

scstrade research



'Research Analyst' Certification: 'Research Analyst' involves in this 'Research Report' certifies that:

- 'Research Analyst' or any of his close relatives do not have a financial interest in the securities of the 'Subject Company' aggregating more than 1% of the value of the 'Subject Company'

- Research Analyst or his close relative has neither served as a director/officer in the past 3 years nor received any compensation from the Subject Company in the previous 12 months

- his compensation will not be related to the recommendations or views given in Research Report

Distribution of 'Research Report'

Standard Capital Securities (Pvt.) Ltd. will distribute Research Report to clients in a timely manner through electronic distribution via email or through physical distribution such as courier express. Standard Capital will make all efforts; even so it is possible that not all clients may receive Research Report at the same time given technical glitches or breakdown/slowdown of internet during the process of sending emails.

'Research Entity' Disclosures

- Standard Capital Securities (Pvt.) Ltd. or any of its officers and directors does not have a significant financial interest (above 1% of the value of the securities) of the subject company.

- Standard Capital Securities (Pvt.) Ltd. employee including directors, officers or associates has not served the subject company in preceding 36 months.

- Subject Company is not been a client for Standard Capital Securities (Pvt.) Ltd. during the publication of Research Report

- Standard Capital Securities (Pvt.) Ltd. has not managed public offering, takeover or buyback of securities for the Subject Company in the past 12 months neither receives any compensation from the subject company for corporate advisory or underwriting services in the past 12 months.

- Standard Capital Securities (Pvt.) Ltd. may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. Standard Capital Securities (Pvt.) Ltd. may have recently underwritten/or in the process of underwriting the securities of an issuer mentioned herein. Standard Capital Securities (Pvt.) Ltd. may also have provided/providing advisory services to the issuer mentioned herein.

- Standard Capital Securities (Pvt.) Ltd. standardized recommendation structure i.e. Buy/positive, Hold/neutral and Sell/negative, based on Target, if any or via various valuation methods.

- For the determination of target price, Analyst shall use Price to earnings, price to book, discounted cash flows etc. as valuation method; buy above 10% target price – sell above target price

- The time duration is the financial reporting period of Subject Company.