

Flash Note

Thursday, 15 December 2016

Cements

PIOC: Long awaited 12MW WHR plant commenced operations

- As per the latest PSX notice, long awaited 12MW Waste heat recovery power plant of PIOC has commenced operations today.
- The purchase contract with M/s. CITIC Heavy Industries Company Ltd, China of 12MW WHR plant installation was signed in Jul-15.
- With the commencement of this plant, company's dependence on national grid is likely to come down by ~24%/43% in FY17E/FY18F from currently 100%.
- As per our calculations, this will provide additional savings to the tune of PKR ~1.15/share in FY17E and PKR ~2.20/share in FY18E.
- The cost of this project is estimated to be PKR ~1.7bn. The tax credit saving on plant & machinery will have an impact of PKR ~0.8/share on bottom line.

Recommendation

- The stock has rallied +52% CY16TD as compared to 41% return of benchmark index. Our Dec-17 DCF based target price works out to be PKR 149/share, offering upside of +8% from its last close. We recommend "**HOLD**" call on scrip.

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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) |
| Hold | If target price on aforementioned security(ies) is in between -10% and 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

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