



21 Nov 2017

## Kalsimin Co

### safe and attractive

- **Zinc Price will stable at this current levels.** By taking into account that the global reserves of zinc in mines are declining and there isn't any oversupply in the market we expect the zinc price to increase gradually and current price levels provide mid term support. Most of renowned forecasting institutions, expect higher Zinc prices for 2018.
- **New capacity will be added through proper waist management.** A new development plan is expected to become operational within a few months that will increasing Zinc Ingot production through higher production volume of zinc concentrate as the result of more economical operational efficiencies and waist management. It can have a significant effect on profitability. Our forecast is that this project will boost Profit about 40% if becomes operational. However, since the project was stalled due to some technical difficulties we have not yet included its effect on our income forecast to provide a more conservative approach for valuation.
- **Dollar exchange rate is expected to increase.** Although Iranian government desires to control and stabilize the dollar Exchange rate—especially due to president's policy, but the rise of inflation and the need for adjusting the dollar exchange rate by the last years inflations, will lead to a stable increase of Dollar exchange rate to above 40,000 and even higher levels.

Recommendation: ★ ★ ★ ★ ★

**Buy** Initiated

Target Price: IRR 7,107

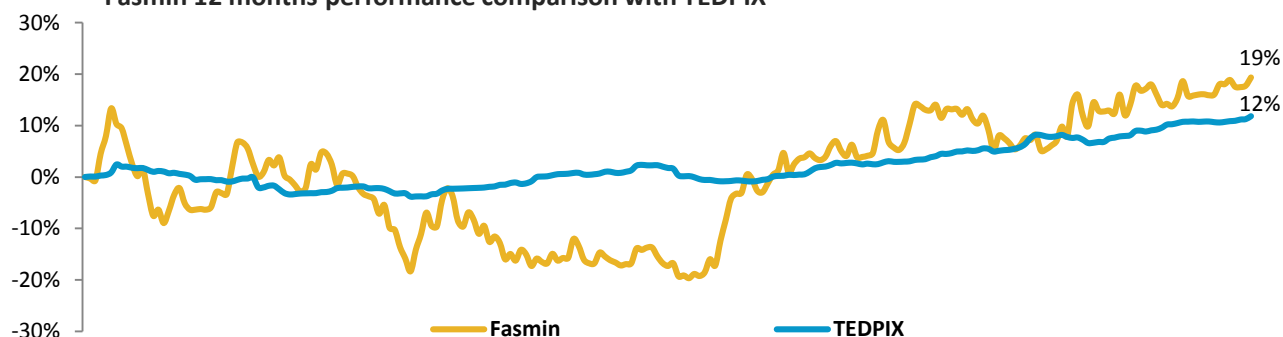
Target price is for 8 months

Produced by: Kardan Investment Bank

#### Stock data

Sector	Materials
Industry	Metals & Mining
Sub Industry	Diversified Metals & Mining
Market Price	IRR 4,231
Market Cap.	Bn IRR 8,462
Investment Style	Value Stock
Research Risk Level	Low
EPS ttm	IRR 600
EPS Estimate	IRR 900
EPS Budget	IRR 700
52W Range (IRR)	3,534-4,217
Trailing P/E	7
Forward P/E	4.7
EV/EBITDA	5.2
free float (%)	37

#### Fasmin 12 months performance comparison with TEDPIX



Key forecasts	1392A	1393A	1394A	1395A	Budget1396	1396E	1397E	1398E
Revenue (IRR Bn)	3,001,959	2,151,023	2,496,874	2,988,867	3,240,854	4,389,977	5,349,684	5,922,410
Gross profit (IRR Bn)	1,549,542	721,291	130,819	1,053,887	1,037,453	1,581,553	2,084,015	2,244,307
Net income (IRR Bn)	1,718,521	775,195	115,568	998,245	958,816	1,799,138	2,303,831	2,463,628
EBITDA (IRR Bn)	1,780,822	803,123	210,698	1,077,764	1,036,930	1,832,487	2,343,985	2,503,550
EPS (IRR)	859	388	58	499	479	900	1,152	1,232
DPS (IRR)	640	300	6	250	240	810	1,037	1,232
Gross margin (%)	52%	34%	5%	35%	32%	36%	39%	38%
Profit margin (%)	57%	36%	5%	33%	30%	41%	43%	42%

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## Income Statement

	1392	1393	1394	1395	Budget 1396	1396	1397	1398
Million Rials								
Sales	3,001,959	2,151,023	2,496,874	2,988,867	3,240,854	4,389,977	5,349,684	5,922,410
Million Rials								
Cost of Goods Sold	(1,452,417)	(1,429,732)	(2,366,055)	(1,934,980)	(2,203,401)	(2,808,424)	(3,265,668)	(3,678,103)
Million Rials								
<b>Gross profit</b>	<b>1,549,542</b>	<b>721,291</b>	<b>130,819</b>	<b>1,053,887</b>	<b>1,037,453</b>	<b>1,581,553</b>	<b>2,084,015</b>	<b>2,244,307</b>
Million Rials								
Administrative Expenses	(83,286)	(95,515)	(115,099)	(159,205)	(137,793)	(155,502)	(172,189)	(190,451)
Million Rials								
Operating Expenses or Other	291,327	142,996	158,807	122,138	98,053	366,401	392,125	409,660
Million Rials								
<b>Operating Income</b>	<b>1,757,583</b>	<b>768,772</b>	<b>174,527</b>	<b>1,016,820</b>	<b>997,713</b>	<b>1,792,453</b>	<b>2,303,951</b>	<b>2,463,516</b>
Million Rials								
Financial Expenses	(18,641)	(23,735)	(71,315)	(27,178)	(43,832)	(52,413)	(48,919)	(45,425)
Million Rials								
Non operational expenses or other	101,428	60,997	13,375	32,438	17,518	95,815	95,815	95,815
Million Rials								
<b>Income Before Tax</b>	<b>1,840,370</b>	<b>806,034</b>	<b>116,587</b>	<b>1,022,080</b>	<b>971,399</b>	<b>1,835,855</b>	<b>2,350,847</b>	<b>2,513,906</b>
Million Rials								
Tax	(121,849)	(30,839)	(1,019)	(23,835)	(12,583)	(36,717)	(47,017)	(50,278)
Million Rials								
<b>Net Income</b>	<b>1,718,521</b>	<b>775,195</b>	<b>115,568</b>	<b>998,245</b>	<b>958,816</b>	<b>1,799,138</b>	<b>2,303,831</b>	<b>2,463,628</b>
Rials								
<b>Earning Per Share</b>	<b>859</b>	<b>388</b>	<b>58</b>	<b>499</b>	<b>479</b>	<b>900</b>	<b>1,152</b>	<b>1,232</b>
Percent								
Dividend Ratio	74%	77%	10%	50%	50%	90%	90%	100%
Rials								
Dividends per share	640	300	6	250	240	810	1,037	1,232
Million Rials								
<b>Capital</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>

Required rate of return on equity	27.6%
Systematic Risk ( $\beta$ )	1.1
Beta	1.1
Risk free rate	18%
Equity Risk premium	9%
Long-term growth rate (g)	10%
Target P/E	6.3
Long Term Risk Free Rate	18%
EV/ EBITDA	6.1

<i>Dividend Discount Model</i>	1396	1397	1398
Earnings per share	900	1,152	1,232
Dividend Ratio	90%	90%	100%
Dividend per share	810	1,037	1,232
Terminal Value (P/E)			7,699
Total	810	1,037	8,931
Present value	5,570		
Number of Shares Outstanding	2,000,000		
The total value of Equity	11,139,743		

### *Rolling Forward to Annual Shareholders meeting (Dividend Date)*

Number of months till Dividend Date	8
Value per share at the current time	6,041 Rls