



21 Nov 2017

## Calcimine 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

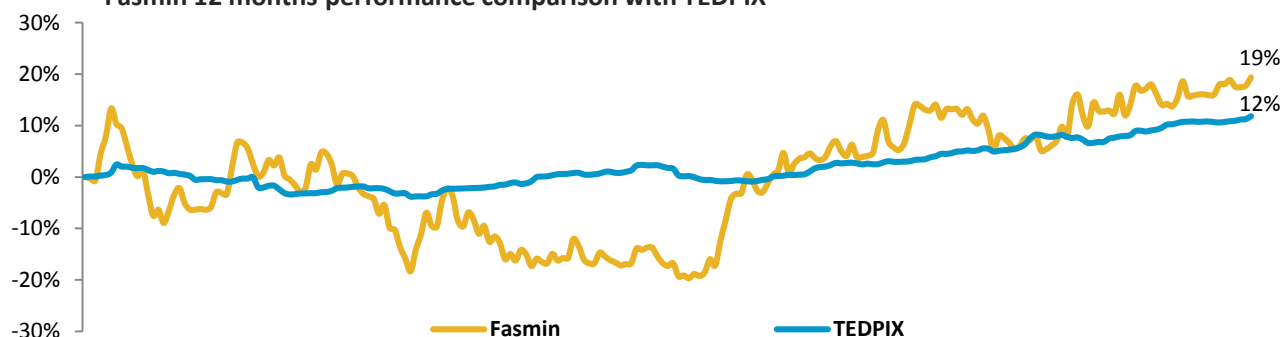
Target price is for 8 months

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 |