

Joint-Stock Company “BEKABADSEMENT”



BEKABAD CEMENT

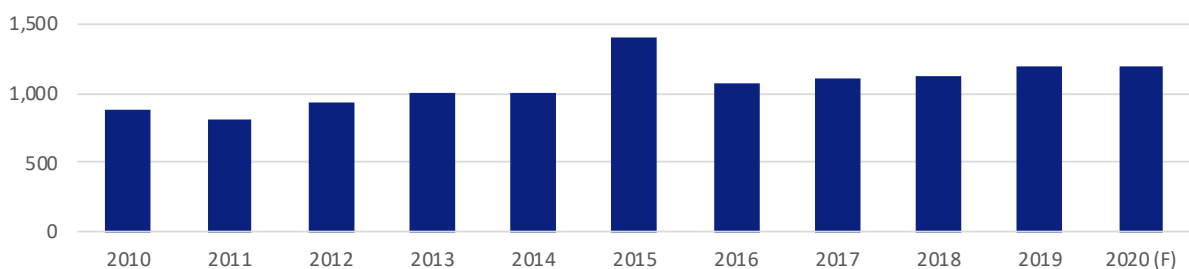
Founded	1926
Name of Company	Joint-Stock Company “Bekabadsement”, JSC “Bekabadsement”, RSE: ex. BECM
Address	Uzbekistan, 110503, Tashkent region, Bekabad, st. Istiklol-20 Tel – (998 70) 214-05-32, 214-05-06 Fax – (998 70) 214-05-21, 214-05-06 e-mail: info@bekabad-cement.uz , Web: www.bekabad-cement.com

Overview

JSC “Bekabadsement” was established in March 1995 on the basis of «Bekabadsement» factory. History of the enterprise began from the 26 June, 1926, when cement factory near the railway station “Hilkovo” was put into operation in the village of Bekabad. The initial capacity of the plant generated around 25 thousand tons of cement per year. This is the first cement factory, put into operation in the Republic of Uzbekistan. In 1957, the factory merged with Hilkovo factory of asbestos-cement pipes, and was reorganized into an integrated plant. In 1964, the plant put its lime production facility into full operation.

Today, JSC “Bekabadsement” is the third after Qizilqumsement (QZSM) and Ahangarancement (OHSM) with 1.2 mln tons production, 12.4% of market share. Also, it is the only enterprise which combines two technologies of cement production, under wet (old mills, to be shut down after full launch of new milling department) and dry methods.

Production of cement, in thousand tons



At present the annual production capacity JSC «Bekabadcement» constitute the following:

- cement – 1,200 thousand tons;
- clinker, dry line – 645 thousand tons;
- clinker, wet line – 412 thousand tons;
- slate - 66 mln units.

JSC “Bekabadcement” as part of a joint project with the World Bank, is modernizing the silo farm, specially equipped facilities for high-quality storage of cement. Until the end of 2020, it is planned to implement about 40 projects to modernize existing facilities and introduce modern technological equipment.

The plant was awarded with the Order of “Labor Red Banner” in 1960. Then, international award for product quality “Golden Globe” was obtained in 1997 and international award “Arch of Europe” was given in 2001. On March 10 of 2013, JSC “Bekabadcement” was awarded a prize “Era of Quality” in platinum category Century International Quality Era in Geneva.

JSC Bekabadcement’s limestone quarry Baliqly-Tau is located in the Jizzakh region and it carries limestone for almost 180 kilometers. Loess shale delivered from Sirdarya region, 19 km from the plant. Previously company used Hilkovskoe deposit, which is depleted now.

Products and Standards

Chinese “China CAMC Engineering Co., LTD” constructed a new line for production of cement clinker under dry method on March 23, 2013. The China CAMC Engineering Co LTD, acted as a developer, general contractor and supplier of equipment for the new production. The total volume of capital investments amounted to \$62 million. The design production capacity: 2,500 tons per day or 750,000 tons of clinker per year that enables cement production of more than 1 million tons per year.

New line equipped with optimized and automated logistics technological processes at each stage of clinker production as well as modern laboratory equipment which enables to control quality of obtained products. The result of such modern approach to organization of production process is minimal quantity of maintenance personnel; no more than 168 men service the line. The modern two-component burner Fives Pillard enables to operate with gas and coal which makes it distinctive from other cement plants in the Republic of Uzbekistan.

The various grades of Portland cement could be produced, including:

1. CEM I 42,5H, CEM II / A-and 32,5N GOST 31108-2003
Application area: This standard applies to Structural cements (hereinafter - cements), manufactured based on Portland cement clinker, and sets the requirements for the components of the cement and the material composition of these cements.
2. PC 400-D20, PTs 400-D0 GOST 10178-85
Application area: Concrete road and airport paving, concrete pressure and gravity pipes, railway sleepers, bridge structures, racks of high-voltage power line poles, catenary of a railway transportation and lighting.
3. PC-TO-400 HGOST 10178-85
For all products, produced on the basis of the normalized clinker composition with a content of tricalcium aluminate (C3A) in an amount of not more than 8% by weight.
4. PC 400-KD20 OzDSt 2830: 2014
Application area: Designed for concrete prefabricated and monolithic structures and parts of buildings and structures for various purposes. Portland cement with composite additives are cement General. Portland cement with the additive composition does not apply to concrete structures responsible (road and airport paving, concrete and non-pressure pipes, railway sleepers, bridge structures, rack supports high-voltage electricity, the catenary of a railway transportation and lighting.)
5. SSPTS 400-D0, PPC GOST 22266-94
Application area: Cements sulfate include special cement. Intended for making concrete and reinforced concrete structures, having corrosion resistance when exposed to environments corrosive in their content of sulfates.

Financial results

In 2019FY, total assets and equity of the company increased by 25.9% and 6.9%, respectively. The compound average growth rate for last 5 years equals to 10.5% and 15.5%, respectively.

In 2019, revenues increased by 6.4%, while EBIT decreased 4.63 times. The significant decrease in EBIT is explained by two main reasons - the fall in cement prices and the change in the tax system (replacement of the super-profit tax with a subsoil tax in 2018). As we could see, the significant decrease in the amount of taxes paid on income was mainly due to the subsoil tax adjustment that is reflected in the COGS accounts.

From October 2019, situation with cement prices significantly changed – due to cancellation of zero-rate VAT and other benefits for importers, local prices increased in July-August 2020 to record 1 million UZS per ton, what is greatly improved the profits of cement producers. For 9M2020 non-audited results are:

- Total assets increased by 11.8%, and equity - by 31.8%;
- Sales increased by 39.2% YoY up to 539 billion UZS (54 mln USD);
- Gross profit increased by 87% whereas SG&A declined by 5%;
- EBIT increased 4.3 times up to 126.3 bln UZS (12.6 mln USD);
- Net profit increased 5.5 times and reached 93.7 billion UZS (9.4 mln USD);

Shareholders

Bekabadsement JSC has a total of 6,718,000 ordinary and 130,080 preferred shares with a par value of 100 UZS each. In December 2020, Uzbekistan returned to foreign investors 51% of the shares of Bekabadsement, from which it was taken away in 2013.

Company did not paid dividends fully in 2010, 2011 and 2014. Started to pay for ordinary shares from the year 2012 and for preferred shares from the year 2015. In 2018 and 2019, the dividends were equal to 30% and 84.5% of the company's net income.

Dividends				
Year	Ordinary	Preferred	Sum, UZS	% of net profit
2015	114	25.00	770,783,500	40.26%
2016	420	25.00	2,824,812,000	10.98%
2017	463	25.00	3,116,507,560	50.00%
2018	1,550	25.00	10,416,152,000	30.00%
2019	1,904	25.00	12,793,383,480	84.49%

	2014	2015	2016	2017	2018	2019	9M2020
Financial indicators (ths. UZS)							
Total assets	275,580,717	246,262,987	273,949,986	277,756,158	361,203,665	454,754,100	515,181,195
Shareholders equity	148,149,204	143,044,667	181,291,882	197,231,863	284,925,096	304,527,948	404,238,304
Monetary assets	1,816,502	2,606,817	7,144,761	4,040,074	7,910,792	69,823,933	12,966,665
Accounts payable	48,137,205	35,437,099	50,792,977	66,388,672	62,597,288	40,870,363	38,281,573
Sales	277,079,271	310,788,121	346,361,606	388,754,096	497,723,076	529,619,116	538,996,396
COGS	128,723,831	202,907,519	171,336,723	204,400,238	282,411,582	384,610,406	332,130,950
EBIT	111,092,905	69,088,862	120,286,291	121,629,981	139,266,601	30,075,911	126,343,753
Net profit	33,275,637	1,914,492	25,736,226	6,233,240	34,722,086	15,141,473	93,711,327
Financial indicators (ths. USD)							
Total assets	\$119,048.91	\$95,696.60	\$92,273.10	\$54,034.88	\$44,764.09	\$51,376.75	\$51,756.30
Shareholders equity	\$63,999.40	\$55,586.46	\$61,063.57	\$38,369.63	\$35,310.86	\$34,404.65	\$40,610.72
Monetary assets	\$749.88	\$927.70	\$2,210.99	\$497.54	\$948.59	\$7,344.04	\$1,256.31
Accounts payable	\$19,871.70	\$12,611.16	\$15,718.18	\$8,175.87	\$7,506.08	\$4,298.72	\$3,709.02
Sales	\$119,696.28	\$120,770.75	\$116,663.12	\$75,628.50	\$61,682.98	\$59,834.77	\$54,148.83
COGS	\$55,607.78	\$78,848.87	\$57,710.43	\$39,764.17	\$34,999.36	\$43,452.13	\$33,366.65
EBIT	\$47,991.35	\$26,847.59	\$40,515.39	\$23,661.98	\$17,259.36	\$3,397.89	\$12,692.79
Net profit	\$14,374.84	\$743.96	\$8,668.59	\$1,212.62	\$4,303.12	\$1,710.64	\$9,414.46
Charter capital							
Par value	12,000	100	100	100	100	100	100
Number of shares	57,069	6,848,280	6,848,080	6,848,080	6,848,080	6,848,080	6,848,080
Ratios							
Return on Assets, ROA, %	12.07%	0.78%	9.39%	2.24%	9.61%	3.33%	18.19%
Return on Equity, ROE, %	22.46%	1.34%	14.20%	3.16%	12.19%	4.97%	23.18%
Return on Sales, ROS, %	12.01%	0.62%	7.43%	1.60%	6.98%	2.86%	17.39%
Equity/liabilities	1.16	1.39	1.96	2.45	3.74	2.03	3.64
Equity/assets	0.54	0.58	0.66	0.71	0.79	0.67	0.78
Effective price, UZS	12,000	100	100	100	100	100	100
EPS, UZS	583,077	280	3,758	910	5,070	2,211	13,384
BPS, UZS	2,595,966	20,888	26,473	28,801	41,607	44,469	59,029
SPS, UZS	4,855,163	45,382	50,578	56,768	72,681	77,338	78,708
P/E	0.02	0.36	0.03	0.11	0.02	0.05	0.01
P/B	0.00	0.00	0.00	0.003	0.002	0.002	0.002
P/S	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange rate of UZS to USD (UZS) – CB RU							
Average weekly FX rate (UZS to USD)	2,314.85	2,573.37	2,968.90	5,140.31	8,069.05	8,851.36	9,953.98
FX rate, end of period (UZS to USD)	2,422.40	2,809.98	3,231.48	8,120.07	8,339.55	9,507.56	10,321.21

Equity Valuation

According to our conservative estimates, the equity value per share is 78,215 UZS (or \$42.5 per ton of capacity). Estimates were made using the weighted average of several methods: DCF, P/E and P/B multipliers. In the valuation, the following assumptions were made:

- The total capacity will remain the same at 1.2 mln tons;
- Production capacity use could be stable at 85%;
- The price of cement was projected at 650 thousand UZS for 2021 and will grow by 10%. Discount to current prices is based on possible oversupply and changes in import rules;

As mentioned above, the estimate was made in accordance with a conservative approach, in which the price of cement was estimated at 650 thousand UZS for 2021. The optimistic forecast for cement prices in 2021 is 750+ thousand UZS, where the value of equity per share will be 120,811 UZS.

Contacts

Avesta Investment Group

Postal address: 1, Amir Temur ave, 100000, Tashkent, Uzbekistan

E-mail: info@avestagroup.com

Internet: <http://www.avestagroup.com>

The information and opinions in this report were prepared by Avesta Investment Group or one of its affiliates (collectively "Avesta"). The information herein is believed by Avesta to be reliable and has been obtained from public sources believed to be reliable, but Avesta makes no representation as to the accuracy or completeness of such information. Important Information Regarding Our Independence. The research analysts responsible for the preparation of this report receive compensation that is based upon, among other factors, Avesta's overall revenues. Avesta may engage in securities transactions in a manner inconsistent with this research report and with respect to securities covered by this report, will sell to or buy from customers on a principal basis. Disclosures of conflicts of interest, if any, are discussed at the end of the text of this report or on the Avesta Investment Group's website at <http://www.avestagroup.com>. Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Avesta and are subject to change without notice. Avesta has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Prices and availability of financial instruments also are subject to change without notice. This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Furthermore, past performance is not necessarily indicative of future results. Unless governing law provides otherwise, all transactions should be executed in the investor's home jurisdiction. Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published by any person for any purpose without Avesta prior written consent. Please cite source when quoting.

© 2003-2021 «Avesta Investment Group».