

FEBRUARY 2017

overview

Symbol : CHML
Estimated EPS for 1395: 231 Rial
Market cap.:52.5 Trillion Rial
Industry P/E : 8.9
Capital: 2.821 Trillion Rial
Share price: 1868 Rial
Average daily volume: 2 million share
Suggestion: Unknown**
Fiscal Year: 12/29
P/E : 8.02
Estimated Return: Unknown**
Target price: Unknown **

Price History



History

Chadormalu was registered in the year 1371 in Yazd city, Iran. The company was listed in TSE and publicly offered in 1382. The company extracts Iron ore and produces granulated Iron ore, Iron ore concentrate and pellet.

Industry overview

According to 33 million tons production in 2015, Iran ranked as the 11st iron ore producer of the world. 35 years ago in 1979 Iran only produced 1 million ton. About 79% of the production is iron ore concentrated (or pellet) and the remaining part is mainly granulated iron ore.

Iran is planning to produce 55 million tons steel in ten years which is approximately three times more than the current steel production of Iran. This will increase the Iron ore demand to about 88 million tons. It is estimated that 77 million tons iron ore concentrate (or pellet) and 11 million ton granulated iron ore will be needed.

Chadormalu reported more than 1.5 trillion Rial net sales and ranked as the second largest company of the industry in Iran.

¹ Rial is the currency traded in Iran. At the date of this report one dollar is equal to 38000 Rial.



Equity Holders:

Equity Holders is in the table below:

Equity Holders	share
Investment Omid	38%
Others	35%
Mining and Metals Development Investment Company	17%
Mobarakeh steel company	10%
sum	100%

Capital increase

According to extraordinary general meeting decision for capital increase, the capital of Chadormalu will increase 105% from 17.1 trillion Rial to 35 trillion Rial. The source of increase is cash provided by equity holders or equity holder's receivables from company. In this year 65% of capital increase has been carried out and the remaining 40% is in the hand of managing board. The capital is 28.2 trillion Rial at the date of this report.

The main producers of Iron ore in Iran are as follows:

producer	Production in 1394			
	Iron ore concentrate	percentage	Granulated	percentage
Chadormalu	740,000	35%	740,000	10%
Golgohar	60,000	39%	60,000	1%
Iran central Iron ore	1,660,000	13%	1,660,000	23%
Sangan	2,640,000	3%	2,640,000	37%
Others	2,110,000	11%	2,110,000	29%
Sum	27,692,000	100%	7,210,000	100%

Chadormalu production capacity

Chadormalu production capacity is in the table below:

Product	Unit	Numinal Capacity	Estimated 1395	month 9 real	Real 94
concentrate	ton	7,692,500	8,597,500	7,108,027	8,501,263
pine	ton	1,500,000	0	0	91,259
pellet	ton	3,400,000	3,400,000	2,846,761	6,354,285
steel	ton	1,000,000	300,000		0



Future projects

Future projects is in the table below:

project	Ependiture	Realized Expenditure	Progress	Completion date
Samen steel 1 million tons	18,372,440	15,888,484	97%	95
Ardakan electrical plant 500 mega watts	13,698,442	12,201,632	96%	95
pellet increase progect	905,322	9,081	40%	95
Ardakan Wastewater	1,938,682	1,141,015	75%	95
Sum	34,914,886	29,240,212		

Important events

- Pellet capacity increase from 3.4 million tons to 4 million tons is in the last stage of fulfillment.
- Samen steel project is in final stages of completion. The capacity is 1 million and has the capability to increase to 1.3 million tons. The technology is Hot-charge which is estimated to reduce energy cost.
- Chadormalu is planning to start extracting from D19 mine in Yazd. The mine is estimated to have 150 million tons of Iron ore reserves which is enough for 15 years production.
- Chadormalu activities is in deprived zone and is qualified for some tax exempts which is not permanent.

Last year environment

This year steel prices experienced a remarkable rise in the world due to Chinese decisions and reforms in steel industry. At the same time Iron ore prices jumped and reached 80\$ per ton in china.

Although world prices jump caused Iranian related companies to experience EPS and share price increase, it should be noticed that Iron ore prices in Iran is linked to internal steel billet prices. Steel prices in Iran is projected to be the subject of tariff reduction because the steel market in Iran has changed from demand surplus to supply surplus recently



Income Statement projection

Some assumptions for estimating income statement are as below:

- Iron ore concentrate price is 12% of steel billet price.
- Pellet price is 21% of steel billet price.
- Steel prices assumed to be 15 million Rial per ton according to Khouzestan steel company prices.
- Operating license is owned by government. The government will charge some operation fees. These fees are 20% for granular ore, 17.2% for concentrate and 14.4% for pellet.
- For year 96 it is assumed that Samen steel will operate 30% of the total capacity.

Income Statement	Unit	Projects of 96	Projects of 95	company budget	realized 9month
total sale	million Rial	25,245,441	20,596,873	19,757,738	14,884,627
cost of goods sold	million Rial	-14,934,454	-12,781,314	13,271,303	-9,588,911
gross Income	million Rial	10,310,987	7,815,559	6,486,435	5,295,716
general and administration expenditure	million Rial	-266,307	-221,717	-230,129	-161,460
other operational expenses	million Rial		53,784	0	53,784
operational Income	million Rial	10,044,680	7,647,626	6,256,306	5,188,040
Interest Expenses	million Rial		0	0	0
investment gains or dividends	million Rial	100,000	151,479	266,575	42,678
other non operational Expenses	million Rial		11,019	566	3,594
Net incom before tax	million Rial	10,144,680	7,810,124	6,523,447	5,234,312
Tax	million Rial	0	0	0	0
net income	million Rial	10,144,680	7,810,124	6,523,447	5,234,312
EPS	Rial	360	277	231	186
Capital	million Rial	28,215,000	28,215,000	28,215,000	28,215,000
number of share	million share	28,215	28,215	28,215	28,215



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Fundament analysis: Chadormalu Group

** The current mine of Chadormalu remains only for 5 years. This year the CEO of Chadormalu stated that the total mineable reserves of the current mine is 80 million tones and remains only for 5 years so we need to start extracting from D19 mine which is jointly owned by Chadormalu and Iran-bafq Company. A large part of the mine is located in the wildlife area and there may be some governmental problems for extraction. According to this ambiguity, valuation of the company is not possible at the date of the report.

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