

Kohat Cement Limited (KOHC)

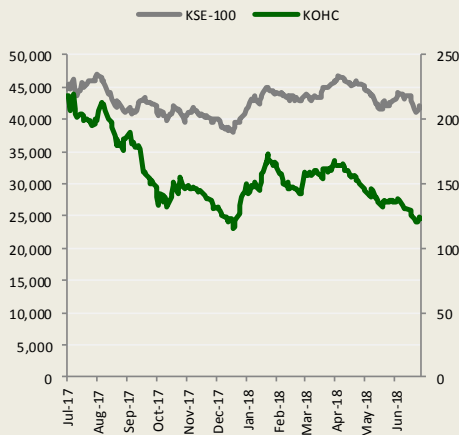
Result Review

KEY DATA

PSX Ticker	KOHC
Sector	Cement
Current Price PkR	123.99
Market Cap (PKR mn)	19,157.69
Market Cap (US\$ mn)	154.50
52 weeks High	172.98
52 weeks Low	103.33
Shares Outstanding (mn)	154.51
Free Float (mn)	30%

Source: PSX/Darson Research

RELATIVE PERFORMANCE



Margin erosion because of old grinding mills

Kohat Cement Limited (KOHC) unveiled its FY18 financial results today. According to the result, the company posted an EPS of PKR 19.29, plummeted -16%YoY in contrast with an EPS of PKR 22.94 in consistent period last year. Alongside, the company announced a final cash dividend of PKR 5/share i.e. 50% and bonus shares of 30%.

For FY18, the topline of the company witnessed a meager decrease of -1%YoY to clocked in at PKR 13,439mn as compared to same period last year which was PKR 13,540mn despite an increase in dispatches. This decline is mainly accredited to low utilization as well as reduction in cement prices. Whereas, COGS witnessed an upsurge of +18%YoY to PKR 9,086mn as compared to previous year which was PKR 7,713mn, on the back of higher coal prices. Resultantly Gross profit dwindled by -25%YoY to PKR 4,353mn.

As far as selling & distribution cost is concerned, it went down by -4%YoY to PKR 125mn owed to lower exports, all these led to shrinkage of -16%YoY in NPAT which recorded at PKR 2,980mn.

PKR	FY'18	FY'17	YoY%
Sales	13,439	13,540	-1%
Cost of Sales	9,086	7,713	18%
Gross Profit	4,353	5,827	-25%
Selling & Distribution Cost	125	130	-4%
Administrative Expenses	203	163	25%
Other Expenses	310	408	-24%
Other Income	362	393	-8%
Operating Profit	4,077	5,520	-26%
Financial Cost	107	85	25%
Profit Before Taxation	3,970	5,435	-27%
Taxation	990	1,890	-48%
Profit After Taxation	2,980	3,545	-16%
EPS - Basic and Diluted (Rs. Per share)	19.29	22.94	-16%

Source: Darson Research, Company Accounts

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Notified Research Entity

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Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices.

Rating System:

- If;
- **Expected return >15%** - Buy Call
 - **Expected Return is in between 0% to 15%** - Neutral/Hold Call
 - **Expected Return <0%** - Sell Call

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

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