

Kohat Cement Company Limited

Result Review: EPS of Rs 3.21 in 3QFY19

Kohat Cement Company Ltd. (KOHK) posted its 3QFY19 result with profit after tax (PAT) of Rs644mn (EPS: Rs3.21/share), down by 1.15% as compared to SPLY. This takes 9MFY19 EPS to Rs10.81/share, down by 5.43% YoY. The result was in line with our expectation.

RESULT KEY HIGHLIGHTS

- KOHC revenues grew by 9.48%YoY to Rs3.8bn during 3QFY19 against Rs3.5bn in SPLY. The increased in revenue is on the back of better retention prices.
- Gross profit for the quarter increased by 8.53% YoY due to declined in coal prices as compared to same quarter last year.
- Company distribution expense enlarge by 36.30% YoY, led by increase in exports.
- Finance cost declined by 9.63% YoY owing to maturing of long term debt.

Recommendation

- We have a "BUY" recommendation on the scrip with a Dec'19 target price of Rs119/share.

Income Statement (Rs in '000)	3QFY19	3QFY18	YoY %	9MFY19	9MFY18	Change %
Net Sales	3,850,287	3,517,027	9.48%	12,241,939	10,384,649	17.88%
Cost of Sales	(2,779,827)	(2,530,732)	9.84%	(8,764,774)	(6,869,834)	27.58%
Gross Profit	1,070,460	986,295	8.53%	3,477,165	3,514,815	-1.07%
Distribution expenses	(36,387)	(26,696)	36.30%	(109,467)	(94,699)	15.59%
Admin expenses	(64,259)	(49,283)	30.39%	(191,738)	(150,747)	27.19%
Other operating expenses	(121,514)	(73,800)	64.65%	(292,960)	(254,683)	15.03%
Other Income	80,424	91,646	-12.24%	251,482	267,411	-5.96%
Finance Cost	(11,502)	(12,728)	-9.63%	(35,241)	(49,928)	-29.42%
Profit before tax	917,221	915,432	0.20%	3,099,241	3,232,169	-4.11%
Taxation	(272,858)	(263,601)	3.51%	(927,982)	(936,152)	-0.87%
Profit after tax	644,363	651,831	-1.15%	2,171,259	2,296,017	-5.43%
EPS	3.21	3.25		10.81	11.43	
Gross Margins	27.80%	28.04%		28.40%	34%	

Source: Co.Financials, Darson Research

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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.)

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