

Day Break

Wednesday, 22 April 2020



COMPANY UPDATE

Kohat Cement Company Limited

Cement

Recommendation	SELL
Target Price: Dec/20	79.8
Last Closing: 21-Apr-20	146.8
Upside / (Down side) %:	(45.65)
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: 8M

Market Data

Bloomberg Tkr.	KOHCA PA		
Shares (mn)	200.9		
Free Float Shares (mn)	60.3		
Free Float Shares (%)	30.0%		
Market Cap (PKRbn USDmn)	29.5	191.0	
Exchange	KSE 100		
Price Info.	90D	06M	12M
Abs. Return	90.3	189.3	92.0
Lo	72.7	50.7	41.5
Hi	146.8	146.8	146.8

Key Company Financials

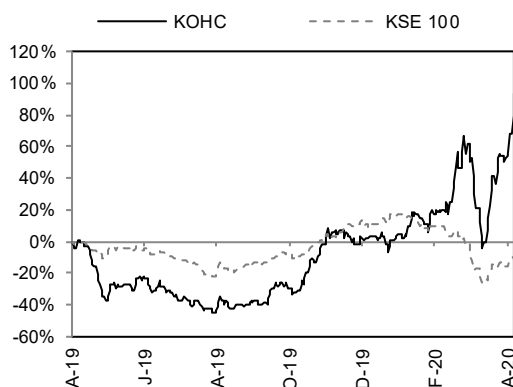
Period End: Jun

PKRbn	2020e	2021f	2022f	2023f
Total Revenue	10.4	13.1	17.6	19.9
Net Income	(0.4)	0.8	1.3	1.8
EPS (PKR)	(2.0)	3.9	6.7	9.1
DPS (PKR)	-	1.0	2.0	2.0
Total Assets	29.9	29.5	28.9	28.4
Total Equity	18.8	19.6	20.7	22.1

Key Financial Ratios

ROE (%)	(2.1)	4.1	6.7	8.5
P/E (x)	- 72.7	37.3	21.9	16.1
P/B (x)	1.6	1.5	1.4	1.3
DY (%)	-	0.7	1.4	1.4

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Cements

KOHC: Losses to occur in 3QFY20E with LPS of PKR (1.61), 9MFY20 comes to PKR (1.16)

- ✓ KOHC's board meeting is scheduled on 23rd Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post a net loss of PKR 1.61/share, compared to a net profit of PKR 3.21/share in the same period last year.
- ✓ Net sales of the Company during 3QFY20E are expected to decline by 27%YoY, largely due to substantially reduced domestic retention prices which unable to cover production costs, are expected to present gross losses for the Company.
- ✓ Further injury is expected from massive rise in finance costs derived largely from expansion plant inaugurated in Jan-20.

KOHC to present loss of PKR 1.61/share in 3QFY20E

Kohat Cement Company Limited's (KOHC) board meeting is scheduled on 23rd Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post a net loss of PKR 323mn (LPS: PKR 1.61), down by almost -0.5xYoY, compared to a net profit of PKR 644mn (EPS: PKR 3.21) in the same period last year. This will turn 9MFY20E performance to loss of PKR 233mn (LPS: PKR 1.16), down by -0.1xYoY, as against profit of PKR 2.17bn (EPS: PKR 10.81) reported in the similar period of the preceding year.

Net sales of the Company during 3QFY20E are expected to decline by 27%YoY despite stable dispatches made during the quarter, largely due to substantially reduced domestic retention prices (decline of ~32%YoY). This massive decline in retentions is not expected to cover production costs, despite the cost structure being relatively controlled comparatively and resultantly we expect KOHC to present a gross loss of PKR183mn as against profit of PKR 1.07bn in the same period last year. Further injury is expected to occur on account of substantial rise in finance costs derived largely from expansion plant inaugurated in Jan-20.

Exhibit: KOHC Result Highlights

Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	2,816	3,850	-27%	8,837	12,242	-28%
Gross Profit	(183)	1,070	-0.2x	(27)	3,477	-0.0x
Sell. / Dist. & Admin	93	101	-8%	247	301	-18%
Non-Operating Income	40	80	-50%	193	251	-23%
EBIT	(242)	929	-0.3x	(109)	3,134	-0.0x
Financial Charges	207	12	18x	226	35	6.4x
Pre-tax Profits	(449)	917	-0.5x	(335)	3,099	-0.1x
Taxation	(125)	273	-0.5x	(102)	928	-0.1x
Post-tax Profits	(323)	644	-0.5x	(233)	2,171	-0.1x
EPS	(1.61)	3.21		(1.16)	10.81	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	(6.5)	27.8		(0.3)	28.4	
Net Margin (%)	(11.5)	16.7		(2.6)	17.7	
Effective Tax Rate (%)	27.9	29.7		30.4	29.9	

Source: Company Accounts, IGI Research

No. of Shares : 201mn

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec – 2020

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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