

Day Break

Friday, 26 April 2019

COMPANY UPDATE

Kohat Cement Company Limited

Cement

Recommendation	BUY
Target Price:	31-Dec-19 150.0
Last Closing:	25-Apr-19 73.0
Upside:	105.5
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: 8M

Market Data

Bloomberg Tkr.	KOHC PA		
Shares (mn)	200.9		
Free Float Shares (mn)	60.3		
Free Float Shares (%)	30.0%		
Market Cap (PKRbn USDmn)	14.7	103.5	
Exchange	KSE ALL		
Price Info.	90D	06M	12M
Abs. Return	(13.5)	(21.4)	(37.8)
Lo	73.0	73.0	73.0
Hi	93.5	109.8	117.3

Key Company Financials

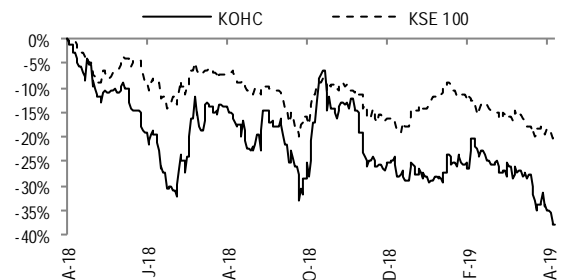
Period End: Jun

PKRbn	FY18A	FY19A	FY20F	FY21F
Total Revenue	13.4	15.4	19.8	24.5
Net Income	3.0	2.7	3.6	4.6
EPS (PKR)	14.8	13.6	18.1	22.9
DPS (PKR)	5.0	5.0	9.0	11.0
Total Assets	20	23	27	30
Total Equity	18	20	22	24

Key Financial Ratios

ROE (%)	16.6	13.5	16.5	18.9
P/E (x)	4.9	5.4	4.0	3.2
P/B (x)	2.5	0.8	0.7	0.7
DY (%)	6.9	6.9	12.3	15.1

Relative Price Performance



About the Company

The Company was incorporated in Pakistan as a public limited company. The Company is engaged in the production and sale of cement.

Source: Bloomberg, PSX & IGI Research

Analyst

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Cements

KOHC: Lesser dispatches, and inflated costs to push down 3QFY19 EPS by 26%YoY to PKR 2.41

- Cement Company Limited's (KOHC) board meeting is scheduled on 29th Apr-19 to announce financial result for 3QFY19, wherein we expect the company to post earnings of PKR 484mn (EPS PKR 2.41), down by 26%YoY
- We estimate the drop in earnings on the back a) lower dispatches made during the period – 16%YoY decline, b) greater discounts offered to dealers; and c) higher input costs on the back of 25%YoY depreciation of PKR against greenback.
- This will bring 9MFY19 profitability to PKR 2.01bn (EPS PKR 10.01) down by 12%YoY compared to PKR 2.30bn (EPS PKR 11.43) in the same period last year.

3QFY19 earnings to drop by 26%YoY to PKR 2.41/share

Kohat Cement Company Limited's (KOHC) board meeting is scheduled on 29th Apr-19 to announce financial result for 3QFY19, wherein we expect the company to post earnings of PKR 484mn (EPS PKR 2.41), down by 26%YoY, compared to PKR 652mn (EPS PKR 3.25) in the same period last year. We estimate the drop in earnings on the back a) lower dispatches made during the period – 16%YoY decline, b) greater discounts offered to dealers; and c) higher input costs on the back of 25%YoY depreciation of PKR against greenback. This will bring 9MFY19 profitability to PKR 2.01bn (EPS PKR 10.01) down by 12%YoY compared to PKR 2.30bn (EPS PKR 11.43) in the same period last year.

Exhibit:

KOHC Result Highlights

Period end (JUN) - PKRmn	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	3,523	3,517	0%	11,915	10,385	15%
Gross Profit	789	986	-20%	3,196	3,515	-9%
Sell. / Dist. & Admin	97	76	28%	298	245	21%
Non-Operating Income	75	92	-18%	246	267	-8%
EBIT	713	928	-23%	2,919	3,282	-11%
Financial Charges	13	13	3%	37	50	-26%
Pre-tax Profits	700	915	-24%	2,882	3,232	-11%
Taxation	216	264	-18%	871	936	-7%
Post-tax Profits	484	652	-26%	2,011	2,296	-12%
EPS	2.41	3.25		10.01	11.43	
DPS	-	-		-	-	

Key Ratios

Gross Margin (%)	22.4	28.0	26.8	33.8
Net Margin (%)	13.7	18.5	16.9	22.1
Effective Tax Rate (%)	30.9	28.8	30.2	29.0

Source: Company Accounts, IGI Research

No. of Shares : 201mn

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
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Time Horizon: Dec – 2019

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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