

Day Break

Friday, 27 September 2019

Company Update

Exhibit: Marginal growth in KOHC's overall dispatches witnessed despite fall in domestic industry volumes, courtesy introduction of new grinding mill last year.

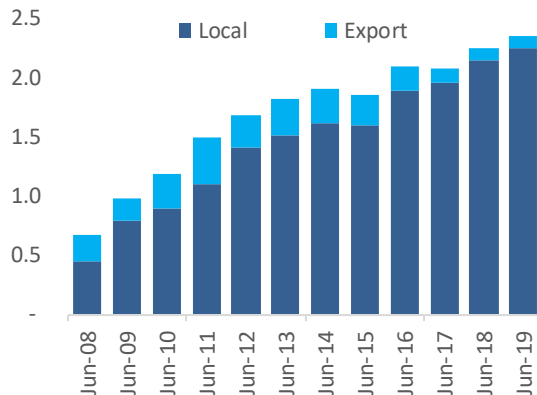
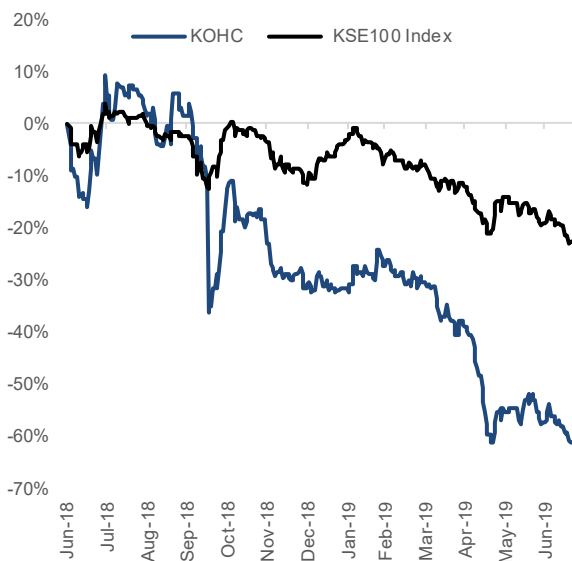


Exhibit: KOHC's Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cements

KOHC: 4QFY19E EPS to clock in at PKR 1.55, down by 54%YoY; FY19E EPS PKR 12.36

- Kohat Cement Company Limited's (KOHC) board meeting is scheduled on 30th Sep-19 to announce financial result for 4QFY19, wherein we expect the company to post earnings of PKR 312mn (EPS: PKR 1.55), down by 54%YoY.
- This will bring FY19E earnings to PKR 2.48bn (EPS: PKR 12.36), down by 17%YoY, as against PKR 2.98bn (EPS: PKR 14.84) reported in the similar period of the preceding year.
- Major drawdown in net earnings during FY19E is expected to stem from significant rise in cost structure driven by +24%YoY depreciation of PKR against the greenback and mounting inflationary pressures.
- We expect the Company to declare a full and final dividend of PKR 2.50/share along with the result.

FY19E EPS to close at PKR 12.36, down by 17%YoY

Kohat Cement Company Limited's (KOHC) board meeting is scheduled on 30th Sep-19 to announce financial result for 4QFY19, wherein we expect the company to post earnings of PKR 312mn (EPS: PKR 1.55), down by 54%YoY, as compared to PKR 684bn (EPS: PKR 3.41) in the same period last year. This will bring FY19E earnings to PKR 2.48bn (EPS: PKR 12.36), down by 17%YoY, as against PKR 2.98bn (EPS: PKR 14.84) reported in the similar period of the preceding year. We expect the Company to declare a full and final dividend of PKR 2.50/share along with the result.

Though net sales of the Company during FY19E are expected to depict a healthy +17%YoY growth, courtesy marginal rise in overall volumes and improved retentions compared to FY18, major drawdown in net earnings is expected to stem from significant rise in cost structure driven by +24%YoY depreciation of PKR against the greenback and mounting inflationary pressures.

Exhibit: KOHC Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	3,415	3,054	12%	15,657	13,439	17%
Gross Profit	663	838	-21%	4,141	4,353	-5%
Sell. / Dist. & Admin	100	82	22%	402	328	22%
Non-Operating Income	40	94	-58%	291	362	-19%
EBIT	539	795	-32%	3,674	4,077	-10%
Financial Charges	13	57	-77%	48	107	-55%
Pre-tax Profits	526	738	-29%	3,626	3,970	-9%
Taxation	214	54	3.9x	1,142	990	15%
Post-tax Profits	312	684	-54%	2,483	2,980	-17%
EPS	1.55	3.41		12.36	14.84	
DPS	2.50	5.00		2.50	5.00	

Key Ratios

Gross Margin (%)	19.4	27.5	26.4	32.4
Net Margin (%)	9.1	22.4	15.9	22.2
Effective Tax Rate (%)	40.7	7.3	31.5	24.9

Source: Company Accounts, IGI Research

No. of Shares : 201mn

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