

# Flash Note

Monday, 26 October 2020

## Cements

### Kohat Cement Company Limited (KOHHC)

#### Resumed demand, excess capacity and improved retentions light up performance; 1QFY21 earnings clock in to PKR 2.52/share; Board approves heavy capex plan

- Kohat Cement Company Limited (KOHHC) announced its financial result for 1QFY21 wherein it reported earnings of PKR 507mn (EPS: PKR 2.52) as against net loss of PKR 153mn (EPS: PKR 0.76) in 4QFY20. The Company announced nil dividends along with the result.
- Net Sales of the Company during 1QFY21, as against 4QFY20, improved by 90% QoQ. This was largely driven by recovery in demand following reopening of domestic economy post Covid-19 led lockdowns, effect of enhanced capacity of KOHHC's new production line and higher retentions amid improved cements sales price, particularly in the North region, reduced FED and lower dealer discounts.
- Gross profit margin of the Company jacked up to 19%, as against 1% registered in the sequential quarter largely driven by improved retentions and reduced cost structure. Cost of Goods Sold per bag reduced to PKR 233/bag as against PKR 238/bag recorded in 4QFY20.
- Finance charge of the Company reduced by 36% QoQ, largely due to series of rate cuts in benchmark interest rate in the previous quarter, the financial impact of which is apparent in the current quarter.
- The Company also disclosed the Board's approval of PKR 3.5bn worth of projects encompassing a) Low pressure coal fired boiler with net power generation of 16.2 MW, b) setting up of additional cement grinding mill; and c) BMR for optimization of pyro-process of production line III.
- The Board has further approved to secure a plant site in Punjab, to achieve Company's future capacity expansion plans therein.
- The Board has further approved to develop certain investment properties of the Company in to rental properties so as to enhance its investment income.

#### Exhibit: KOHC Result Highlights

Period end (JUN) - PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	5,174	2,994	73%	2,727	90%
Gross Profit	959	123	7.8x	37	25.6x
Sell. / Dist. & Admin	91	83	9%	71	28%
Non-Operating Income	17	102	-84%	15	11%
EBIT	835	126	6.6x	(21)	n/m
Financial Charges	138	8	17.8x	214	-36%
Pre-tax Profits	696	118	5.9x	(235)	n/m
Taxation	189	30	6.3x	(82)	n/m
Post-tax Profits	507	88	5.8x	(153)	n/m
EPS	2.52	0.44		(0.76)	
<b>Key Ratios</b>					
Gross Margin (%)	18.5	4.1		1.4	
Net Margin (%)	9.8	2.9		(5.6)	
Effective Tax Rate (%)	27.2	25.4		34.9	

Source: Company Accounts, IGI Research

No. of Shares : 201mn

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