

Flash Note

Wednesday, 17 February 2021

Cements

Kohat Cement Company Limited (KOHK)

Earnings of PKR 4.81/share reported in 2QFY21; improved retentions and considerably curtailed costs structure boost margins

- Kohat Cement Company Limited (KOHK) announced its financial result for 2QFY21 wherein it reported a net profit of PKR 965mn (EPS: PKR 4.81), as against net profitability of PKR 10mn (EPS: PKR 0.05) in 2QFY20. This takes 1HFY21 earnings to PKR 1,472mn (EPS: PKR 7.33), up by 14xy/y. In conjunction with the result the company did not announce any cash dividend.
- Net Sales of the Company during 2QFY21, as against 1QFY21 increased by 96%y/y (15%q/q). This was largely driven by increase in sales volumes (up by ~54%/y/y and 12%q/q) amid economic revival, higher retention, reduced FED and lower discounts.
- Gross margins of the company jacked up to 28% y/y as against 1% registered in last year. This was largely driven by better absorption of fixed cost amid higher volumetric sales.
- Selling and admin cost of the company jacked up by 50% y/y driven largely from freight cost associated with enhanced export sales made during the quarter.
- Finance charges increased by 11y/y possibly due to increased short term borrowing requirement during the period.
- Along with the result the Company also announced Board's approval of enhancing the capacity of its earlier announced Cement manufacturing plant of ~7800-10,000 tpd with an estimated cost of PKR 30bn. Alongside, the company did not hold back and announced an expansion of its WHRP and CFPP by ~8-10 mw/ 25mw. This would help the company to reduce its reliance on national grid and manage a sustainable energy mix.

Exhibit: KOHK 2QFY21 Result Highlights								
Period end (Jun) - PKRmn	2QFY21	2QFY20	Y/Y	1QFY21	Q/Q	1HFY21	1HFY20	Y/Y
Net Sales	5,934	3,028	96%	5,174	15%	11,108	6,021	84%
Gross Profit	1,638	40	40x	959	71%	2,597	156	16x
Sell. / Dist. & Admin	105	70	50%	91	16%	196	146	34%
Other Operating expense	87	6	13x	50	74%	137	22	5x
Other Income	40	51	-23%	17	1.34x	56	153	-63%
EBIT	1,485	15	100x	835	78%	2,320	141	15x
Financial Charges	136	12	11x	138	-2%	274	19	13x
Pre-tax Profits	1,349	3	434x	696	94%	2,046	121	16x
Taxation	384	(7)	n/a	189	1.03x	573	23	234x
Post-tax Profits	965	10	100x	507	90%	1,472	98	14x
EPS	4.81	0.05		2.52		7.33	0.49	
DPS	-	-		-		-	-	
Key Ratios								
Gross Margin (%)	28%	1%		10%		13%	2%	
Net Margin (%)	16%	0%		10%		13%	2%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 201mn		

Analyst

Shumail Rauf

shumail.rauf@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 957

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

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)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2021 IGI Finex Securities Limited

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

<p>Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p>Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p>
<p>Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p>Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p>Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2021 IGI Finex Securities Limited