

Flash Note

Thursday, 27 February 2020

Cements

Kohat Cement Company Limited (KOHC)

Lesser volumes and deteriorated retentions drag 2QFY20 EPS to PKR 0.05, down ~100%YoY

- ✓ Kohat Cement Company Limited (KOHC) announced its financial results for 2QFY20 with net earnings of PKR 9.60mn (EPS: PKR 0.05), down by almost ~100%YoY, as compared to PKR 998mn (EPS: PKR 4.97) reported in the same period last year. This accumulates 1HFY20 earnings to PKR 98mn (EPS: PKR 0.49) as against PKR 1.53bn (EPS: PKR 7.60) reported in the comparative period.
- ✓ Net sales of the Company during 2QFY20 dropped substantially by 38%YoY as against the comparative period due to a combination of lesser dispatches made and declining retention price, possibly due to excessive discounts offered amid intense competition in the local market.
- ✓ The decline in volumes and retention prices led gross profit margins of the Company during the quarter to crash tragically to 1% as against 32% recorded in the comparative period. While cost of manufacturing during the quarter is relatively maintained as against the comparative quarter.
- ✓ A marginal upshift in earnings is witnessed due to a modest tax reversal.

Exhibit: KOHC Result Highlights						
Period end (JUN) - PKRmn	2QFY20	2QFY19	YoY	1HFY20	1HFY19	YoY
Net Sales	3,028	4,871	-38%	6,021	8,392	-28%
Gross Profit	40	1,544	-97%	163	2,407	-93%
Sell. / Dist. & Admin	70	103	-31%	154	201	-23%
Non-Operating Income	51	85	-40%	153	171	-10%
EBIT	15	1,415	-99%	141	2,206	-94%
Financial Charges	12	13	-10%	19	24	-18%
Pre-tax Profits	3	1,402	-1.0x	121	2,182	-0.9x
Taxation	(7)	404	-1.0x	23	655	-1.0x
Post-tax Profits	10	998	-1.0x	98	1,527	-0.9x
EPS	0.05	4.97		0.49	7.60	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	1.3	31.7		2.7	28.7	
Net Margin (%)	0.3	20.5		1.6	18.2	
Effective Tax Rate (%)	(209.7)	28.8		19.4	30.0	

Source: Company Accounts, IGI Research

No. of Shares : 201mn

Analyst

Muhammad Saad

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816