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Kohat Cement Company Limited

Result Review: KOHC 1QFY19 EPS PKR 3.42 Down by 42% YoY

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Result Review: KOHC 1QFY19 EPS PKR 3.42 Down by 42%YoY

- Kohat Cement Company Limited (KOHC) PAT clocked in at PKR 529 Million (EPS PKR 3.42) during 1QFY19 as opposed to PKR 903 million (EPS PKR 5.85) in the same period last year, exhibits a sharp decline of 41%YoY.
- The earnings drop is primarily due to squeezing margins amid higher cost of production & admin expenses.
- The company's top line registered a meager growth of 3% YoY to record at PKR 3,521 million as compared to PKR 3,417 million in SPLY, primarily due to higher retail prices (up 6% YoY) coupled with decline in dispatches during the quarter under review.
- Gross margins decreased by 15.1 ppts to 24.5% in 1QFY19 as opposed to 39.6% SPLY. The fall in margin is attributed to higher cost of production (up by 29% YoY) in the wake of 32% YoY surge in coal prices and 18% YoY rupee devaluation.
- Other expenses increased by 58% YoY to clock in at PKR 67 million.

KOHC- 1QFY19 Earning Review (PKR mln)

Income Statement	1QFY19	1QFY18	YoY	4QFY18	QoQ
Turnover - Net	3,521	3,417	3%	3,054	15%
Cost of Sales	2,658	2,065	29%	2,216	20%
Gross Profit	862	1,352	-36%	838	3%
Selling & Dist. Expense	31	30	0%	30	2%
Admin Expense	67	43	58%	52	29%
Operating Profit	765	1,279	-40%	756	1%
Other Expenses	60	102	-41%	55	10%
Other Income	86	88	-2%	94	-8%
Finance Cost	11	17	-36%	57	-81%
PBT	780	1,249	-38%	738	6%
PAT	529	903	-41%	684	-23%
EPS -Basic	3.42	5.85	-42%	3.41	0%
Gross Margin	24.5%	39.6%		27.4%	
Net Profit Margin	15.0%	26.4%		22.4%	

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Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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