

Earning Review

KOHC: 1QFY22 EPS clocked in at Rs6.96, up 176% YoY

Event

- Kohat Cement Company Limited (KOHC PA) profitability clocked in at Rs1,398mn (EPS of Rs6.96) in 1QFY22 as compared to profit of Rs507mn (EPS of Rs2.52) in 1QFY21.

Impact

- KOHC profitability increased due to (1) better cement retention prices (up ~42% YoY), (2) increase in domestic dispatches, and (3) lower finance cost.
- Company's revenue increased by 31/9% YoY/QoQ in 1QFY22. We attribute increase in company's revenue to ~42/13% YoY/QoQ increase in cement retention prices amid ~2% YoY increase in domestic dispatches. Furthermore, on sequential basis KOHC domestic/export dispatches declined by ~1/96% QoQ in 1QFY22.
- Furthermore, among other major heads KOHC admin/distribution cost increased by 7/32% YoY in 1QFY22. We attribute increase in distribution cost to higher dispatches of the company.
- KOHC other income increased by 367/29% YoY/QoQ due to higher interest income on cash held by the company.
- Furthermore, KOHC other expense increased significantly due to increase in provision for WPPF/WWF given higher profitability.

Outlook

- We have Outperform stance on the scrip with Jun-22 target price of Rs226.8/sh. Furthermore, near term profitability of the company is expected to remain under pressure given sector's inability to completely pass on the impact of rise in fuel/power and other overhead costs. However companies would benefit from (1) favorable Gov't policies (2) continuous increase in consumer housing finance (up 39.8% YoY to Rs111.7bn in Aug'21) and (3) increased demand from public sector due to early disbursement of PSDP.

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Fig 01: KOHC 1QFY22 Financial Highlights (Rs mn)

Rs (mn)	1QFY22	1QFY21	YoY	QoQ
Sales - net	6,804	5,174	31%	9%
COGS	4,543	4,216	8%	-1%
Gross profit	2,261	958	136%	39%
Distribution Expenses	23	17	32%	-37%
Admin Expenses	78	73	7%	-3%
Other operating income	79	17	367%	29%
Other operating expenses	126	50	153%	36%
EBIT	2,112	834	153%	43%
Financial Charges	119	138	-14%	-4%
PBT	1,993	696	186%	47%
Taxation	595	189	214%	52%
PAT	1,398	507	176%	45%
EPS@200.8mn sh	6.96	2.52		
GP Margins	33.2%	18.5%		
EBIT Margins	31.0%	16.1%		
NP Margins	20.5%	9.8%		

Source: PSX, Company Accounts, Foundation Research, October 2021

Important disclosures:

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.