

# Flash Note

Monday, 12 April 2021

## Cements

### Kohat Cement Company Limited (KOHC)

#### Earnings of PKR 5.27/share reported in 3QFY21; improved retentions and higher volumetric offtakes boost margins

- Kohat Cement Company Limited (KOHC) announced its financial result for 3QFY21 wherein it reported a net profit of PKR 1,059mn (EPS: PKR 5.27), as against net loss of PKR 381mn (LPS: PKR 1.90) in 2QFY20. This takes 9MFY21 earnings to PKR 2,532mn (EPS: PKR 12.60), as against net loss of PKR 283mn (LPS: PKR 1.41). In conjunction with the result the company did not announce any cash dividend.
- Net Sales of the Company during 2QFY21, as against 3QFY20 increased by massive 163%y/y (13%q/q). This was largely driven by increase in sales volumes (up by ~60%y/y) amid economic revival, higher retention, reduced FED and lower discounts.
- Gross margins of the company jacked up to 26% y/y as against gross loss of ~9% 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 21% y/y driven largely from freight cost associated with enhanced export sales made during the quarter.
- Finance charges plummeted by 32%y/y due to low interest rate regime and possibly low borrowing requirement during the quarter.

Exhibit: KOHC 2QFY21 Result Highlights								
Period end (JUN) - PKRmn	3QFY21	3QFY20	YoY	2QFY21	QoQ	9MFY21	9MFY20	YoY
Net Sales	6,712	2,552	163%	5,934	13%	17,820	8,573	108%
Gross Profit	1,740	(218)	n.m	1,638	6%	4,336	(62)	n.m
Sell. / Dist. & Admin	94	78	21%	105	-10%	290	224	29%
Other Operating expense	96	(8)	n.m	87	n.m	233	14	16.37x
Other Income	53	28	93%	40	35%	110	181	-39%
EBIT	1,603	(260)	n.m	1,485	8%	3,923	(120)	n.m
Financial Charges	119	176	-32%	136	-12%	393	195	101%
Pre-tax Profits	1,484	(436)	n.m	1,349	10%	3,530	(315)	n.m
Taxation	424	(55)	n.m	384	11%	998	(31)	n.m
Post-tax Profits	1,059	(381)	n.m	965	10%	2,532	(283)	n.m
EPS	5.27	(1.90)		4.81		12.60	(1.41)	
<b>Key Ratios</b>								
Gross Margin (%)	26%	-9.0%		28%		24%	-1%	
Net Margin (%)	16%	-15%		16%		14%	-3%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 201mn		

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