

# Flash Note

Monday, 26 February 2018

## Cement

### KOHC: Rising input costs, falling cement prices and heightened competition push 2QFY18 earnings down by 38%YoY to PKR 4.80/share

- Kohat Cement Company Limited (KOHC) announced its financial results for 2QFY18 with earnings clocking in at PKR 741mn (EPS: PKR 4.80), down by 38%YoY (down 18%QoQ), as against PKR 1,198mn (EPS PKR 7.76) in the same period last year. This brings 1HFY18 earnings to PKR 1,644mn (EPS: PKR 10.64) in contrast to PKR 2,190mn (EPS: PKR 14.17) in the same period last year.
- Net sales during the quarter fell by 13%YoY (up +1%QoQ) to arrive at a level of 3.45bn, mainly on account of 4% lower dispatches made, addition of FED on cement products and impact of falling cement prices in the North region.
- The gross profit margin of the Company declined to 34% during 2QFY18 as compared to 46% in the corresponding period last year, largely accredited to escalated coal prices globally and lower retentions.
- The Company expects its 105 tph grinding mill to commence commercial operations by Apr-18.

Exhibit:

#### KOHC Result Highlights

Period end (JUN) - PKRmn	2QFY18	2QFY17	YoY	1HFY18	1HFY17	YoY
Net Sales	3,450	3,970	-13%	6,868	7,164	-4%
Gross Profit	1,176	1,830	-36%	2,529	3,364	-25%
Sell. / Dist. & Admin	96	83	17%	169	154	10%
Non-Operating Income	87	99	-12%	176	203	-13%
EBIT	1,088	1,721	-37%	2,354	3,181	-26%
Financial Charges	20	23	-11%	37	47	-20%
Pre-tax Profits	1,068	1,698	-37%	2,317	3,135	-26%
Taxation	327	500	-35%	673	945	-29%
Post-tax Profits	741	1,198	-38%	1,644	2,190	-25%
EPS	4.80	7.76		10.64	14.17	
DPS	-	8.00				
<b>Key Ratios</b>						
Gross Margin (%)	34.1	46.1		36.8	47.0	
Net Margin (%)	21.5	30.2		23.9	30.6	
Effective Tax Rate (%)	30.6	29.4		29.0	30.1	

Source: Company Accounts, IGI Research

No. of Shares : 155mn

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