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KOHC: 3QFY26 EPS expected to clock in at PKR 1.98, down 18% YoY

Kohat Cement Company Limited

PSX: KOHC | Bloomberg: KOHC PA | Reuters: KOHC.PSX

- KOHC is expected to announce its 3QFY26 results, wherein we expect the company to report an EPS of PKR 1.98, down 18% YoY. This will take 9MFY26 EPS to PKR 8.01, down 16% YoY. We do not expect KOHC to post any dividend for the quarter.
- Net sales for 3QFY26 are expected to clock in at PKR 8.0bn, down 2% YoY as a 3% rise in cement prices is likely to be offset by 4% YoY decline in domestic dispatches. The company underperformed the Northern region, which saw a 7% YoY growth in local dispatches in 3QFY26.
- We expect gross margins to clock in at 32% in 3QFY26, down 8ppts YoY, reflecting normalization from elevated SPLY levels. This decline is driven by higher weighted average coal costs following Afghan border closure, which prompted a shift towards higher cost imported coal. Additionally, prior to the levy on furnace oil (FO), the company partially met its power requirement through captive generation using FO in SPLY. Following the levy on FO, the company has increased its reliance on grid, further raising overall energy cost.
- On a sequential basis, earnings are expected to be down by 30% QoQ. Net sales are expected to decline 23% QoQ primarily due to 25% QoQ dip in the local dispatches. Gross margins are expected to compress 1ppt QoQ.
- Other income is projected to decline ~16% QoQ to PKR 966mn, as the company is expected to face mark-to-market losses on its short-term investments due to increasing yields QoQ.

Key Data

PSX Ticker	KOHC
Target Price (PKR)	124
Current Price (PKR)	89
Upside/(Downside) (%)	40%
Dividend Yield (%)	0%
Total Return (%)	40%
12-month High (PKR)	127
12-month Low (PKR)	66
Outstanding Shares (mn)	919
Market Cap (PKR mn)	84,116

Source: PSX, Akseer Research

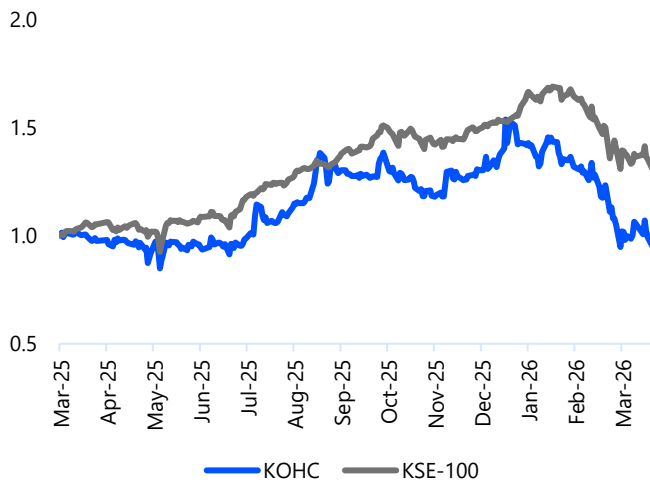
Financial Estimates (PKR mn)	3QFY25	3QFY26E	YoY	9MFY25	9MFY26E	YoY
Sales	8,152	8,005	-2%	28,816	28,749	0%
Cost of Sales	4,930	5,463	11%	16,814	19,330	15%
Gross Profit	3,223	2,542	-21%	12,001	9,418	-22%
General and Admin	54	39	-26%	154	140	-9%
Selling and Distribution	173	209	21%	545	595	9%
Other Operating Expenses	224	161	-28%	787	594	-25%
Other Income	921	966	5%	3,977	3,590	-10%
Finance Cost	61	113	86%	270	195	-28%
Profit Before Tax	3,632	2,986	-18%	14,221	11,484	-19%
Taxation	1,296	1,165	-10%	5,000	4,123	-18%
Net Income	2,336	1,821	-22%	9,221	7,361	-20%
EPS (PKR)	2.42	1.98	-18%	9.53	8.01	-16%
DPS (PKR)	0.00	0.00		0.00	0.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	9.1	12.0	10.1	12.1	14.7	17.8	21.2	24.9
EPS Growth	43.0%	32.2%	-15.7%	19.4%	21.8%	21.1%	19.2%	17.4%
DPS (PKR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (PKR)	41.8	49.6	62.3	74.3	89.0	106.8	128.0	152.9
PER	10.1	7.6	9.1	7.6	6.2	5.1	4.3	3.7
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
P/B	2.2	1.8	1.5	1.2	1.0	0.9	0.7	0.6
ROE	24.1%	26.0%	17.6%	17.7%	18.0%	18.2%	18.1%	17.7%

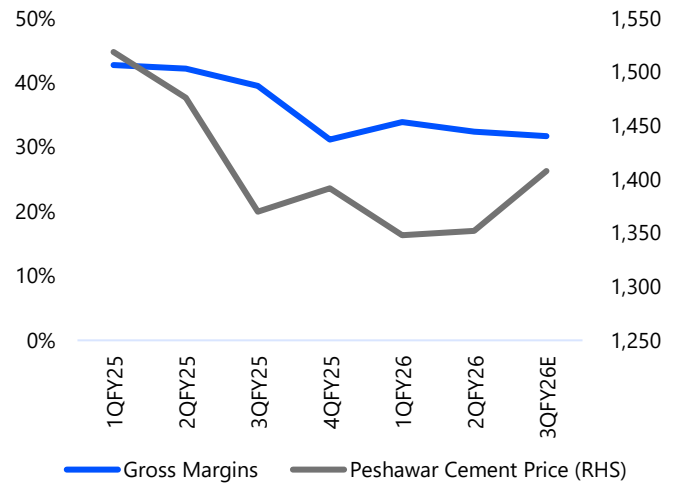
Source: Company Accounts, Akseer Research

Relative Price Performance of KOHC



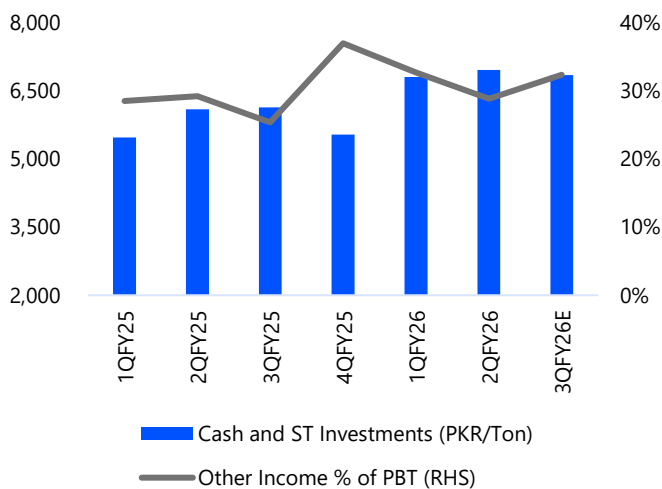
Source: PSX, Akseer Research

Normalizing Gross Margins Following Price Correction



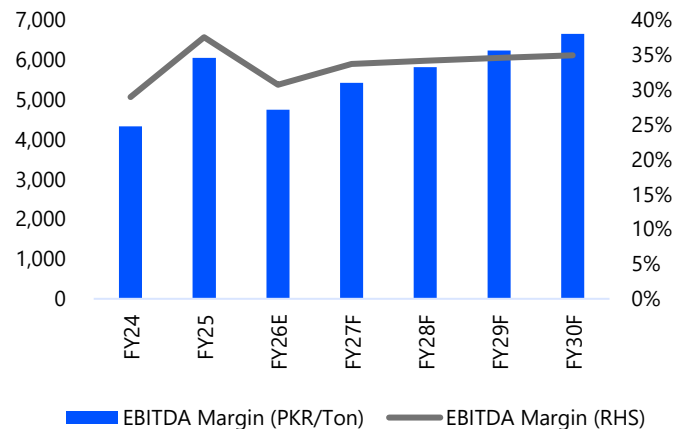
Source: PBS, Company Accounts, Akseer Research

Increasing Cash and Cash Equivalents Supporting Profit Before Tax



Source: Company Accounts, Akseer Research

Improving EBITDA Margin Post Commissioning of CFPP in FY27F



Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Kohat Cement Company Limited (KOHC) has been computed using the Free Cash Flow to Firm (FCFF) method. We have used a risk-free rate of 10.5%, a beta of 1.1, a market risk premium of 6%, and cost of debt of 10.5% to arrive at WACC of 16.9%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-26 PT of PKR 124/share. Our investment case is based on (1) increased focus on renewables together with commissioning of 28.5MW CFPP to lower energy cost, (2) minimal debt and substantial liquidity to support bottom line and (3) entry into real estate to provide additional income stream.

Risks

Key downside risks to our investment thesis include (1) continued closure of Afghan border to disrupt coal prices (2) rising transport costs to render imported coal expensive and (3) delay in commissioning CFPP to lead to cost over runs.

Company Description

Kohat Cement Company Limited (KOHC) is a Pakistani based cement manufacturer, producing ordinary Portland and various other types of cement. The plant is located in Kohat, Khyber Pakhtunkhwa and has an annual cement production capacity of 5.1mn tons. The company also has a dedicated line for white cement, with an annual production capacity of 135,000 tons.

Financial Highlights – KOHC

Income Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
Net Sales	38,648	37,536	38,250	44,121	50,861	58,675	66,909	75,505
Cost of Sales	27,391	22,814	26,136	28,596	32,593	37,198	42,055	47,226
Gross Profit	11,256	14,722	12,114	15,525	18,268	21,478	24,854	28,279
Other Expenses	1,257	1,906	1,759	2,087	2,362	2,677	3,010	3,352
Operating Profit (EBIT)	9,999	12,816	10,355	13,438	15,906	18,800	21,844	24,927
Other Income	4,454	5,281	4,571	5,095	6,560	8,322	10,415	12,864
Finance Cost	677	350	301	370	338	322	306	290
Profit before tax (PBT)	13,776	17,747	14,624	18,164	22,127	26,800	31,953	37,501
Taxation/Levies	4,883	6,172	5,348	7,084	8,630	10,452	12,462	14,625
Profit after tax (PAT)	8,893	11,575	9,276	11,080	13,498	16,348	19,491	22,876
EPS (PKR)	9.06	11.97	10.09	12.05	14.68	17.78	21.20	24.88
DPS (PKR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company Accounts, Akseer Research

Balance Sheet (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
PPE	22,157	23,360	25,796	25,042	24,274	23,490	22,690	21,874
Other LT assets	4,474	4,820	4,775	4,776	4,776	4,776	4,776	4,776
Non-current assets	26,631	28,180	30,571	29,818	29,049	28,265	27,465	26,650
Current assets	32,212	38,615	46,843	58,865	74,086	92,339	113,821	138,789
Total assets	58,843	66,794	77,414	88,683	103,135	120,604	141,286	165,438
Non-current liabilities	6,657	7,177	6,874	6,734	6,594	6,454	6,313	6,173
Current liabilities	11,096	11,662	13,308	13,637	14,732	15,993	17,324	18,741
Total liabilities	17,753	18,839	20,182	20,371	21,326	22,447	23,637	24,914
Equity	41,090	47,955	57,232	68,312	81,809	98,157	117,648	140,524
Total equity & liabilities	58,843	66,794	77,414	88,683	103,135	120,604	141,286	165,438

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
Net Income	8,893	11,575	9,276	11,080	13,498	16,348	19,491	22,876
Non-Cash Charges	1,183	1,265	1,379	1,427	1,456	1,485	1,515	1,545
Operating Cash Flows	10,812	14,532	11,334	12,326	14,775	17,625	20,787	24,195
FCFF	(2,107)	125	(3,679)	6,927	7,866	8,925	9,964	10,892
Net Borrowings	(1,088)	2	1,401	(486)	(140)	(140)	(140)	(140)
FCFE	582	5,058	1,991	11,167	13,948	16,784	19,932	23,326
Closing Cash	1,103	1,451	3,442	14,609	28,557	45,341	65,274	88,599

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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