Result Preview | Pakistan Research

Sameer Ul Haq Usmani
sameer.usmani@akseerresearch.com

REN # REP - 004

REN # REP - 400 R

9 September 2026

KOHC: 4QFY26 EPS is projected to rise by 14% YoY, to PKR 2.91

Kohat Cement Company Limited PSX: KOHC | Bloomberg: KOHC PA | Reuters: KOHC.PSX

- KOHC is expected to announce its 4QFY26 results, wherein we expect the company to post an EPS of PKR 2.91 up 14% YoY taking the FY26 EPS to 10.97 (down by 13% YoY). We expect no dividends from the company. (4QFY25 and FY25 EPS calculated on current number of shares).
- We expect the company to post net sales of PKR 9.8bn in 4QFY26, up 13% YoY, driven by a likely 9% increase in net retention prices in the northern region coupled with 4% increase in volumes.
- We expect 4QFY26 gross margins to clock in at 34%, up 3ppts YoY, primarily driven by presence of low-cost inventory. Consequently, gross profit/ton is expected to rise 20% YoY to PKR 5,806/ton in 4QFY26 (from PKR 4,836/ton SPLY).
- We expect the company's interest coverage ratio to appear artificially inflated, as finance cost on the UBL facility raised to fund the coal-fired power plant has been capitalized under IAS-23 (Borrowing Costs) rather than expensed through the P&L, despite the related debt remaining part of the company's total borrowings.
- The company is set to report a one-off deferred tax adjustment due to reduction in super tax from 10% to 8% applicable from FY27. This is an accounting change applied upon the existing deferred tax liability balances with no effect on actual cash movements. . We expect company to post an Effective Tax Rate (ETR) of 27% in 4QFY26 (compared to 33% SPLY). Normalizing earnings for the quarter at an ETR of 39%, EPS is estimated to clock in at PKR 2.43/share, down 5% YoY.
- On a sequential basis, KOHC's EPS is expected to rise 43% QoQ or 20% normalized. Sales are expected to grow 20% QoQ, driven by an 8% rise in northern retention price/bag alongside an 11% increase in volumes. Gross margin is expected to compress 0.5ppt QoQ.

Key Data	
PSX Ticker	KOHC
Target Price (PKR)	125
Current Price (PKR)	92
Upside/(Downside) (%)	35%
Dividend Yield (%)	0%
Total Return (%)	35%
12-month High (PKR)	126
12-month Low (PKR)	74
Outstanding Shares (mn)	919
Market Cap (PKR mn)	84,943

Source: PSX, Akseer Research

Financial Estimates (PKR Mn)	4QFY25	4QFY26E	YoY	FY25	FY26E	YoY
Sales	8,720	9,819	13%	37,536	38,720	3%
Cost of Sales	6,000	6,454	8%	22,814	25,640	12%
Gross Profit	**2,721**	**3,365**	**24%**	**14,722**	**13,080**	**-11%**
General and Admin	71	48	-32%	226	224	-1%
Selling and Distribution	150	240	60%	696	863	24%
Other Operating Expenses	197	215	9%	984	844	-14%
Other Income	1,303	870	-33%	5,281	4,115	-22%
Finance Cost	80	67	-15%	350	185	-47%
Profit Before Tax	**3,525**	**3,664**	**4%**	**17,747**	**15,080**	**-15%**
Taxation -Without DTL Adjustment	1,171	1,429	22%	6,172	5,435	-12%
Net income – Without DTL adjustment	**2,354**	**2,235**	**-5%**	**11,575**	**9,645**	**-17%**
EPS (PKR) – Without DTL adjustment *	**2.56**	**2.43**	**-5%**	**12.60**	**10.49**	**-17%**
Taxation – With DTL Adjustment	1,171	988	-16%	6,172	4,994	-19%
Net income – With DTL adjustment	**2,354**	**2,676**	**14%**	**11,575**	**10,086**	**-13%**
EPS (PKR) – With DTL adjustment *	**2.56**	**2.91**	**14%**	**12.60**	**10.97**	**-13%**
DPS (PKR)	0	0	n.m.	0.00	0.00	n.m.

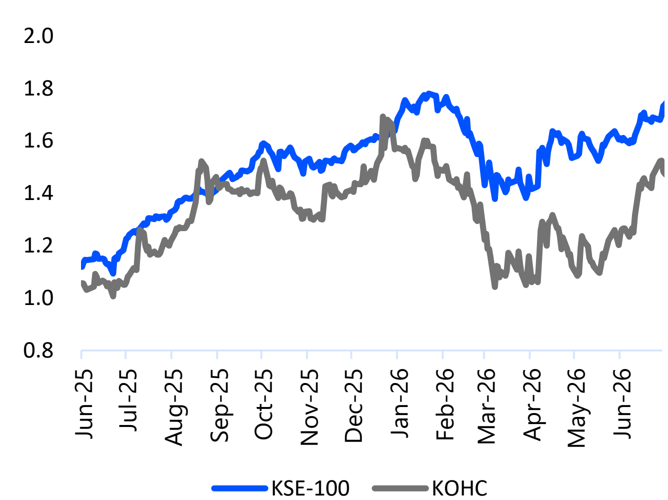
Source: Company Accounts, Akseer Research

**Used current number of shares for 4QFY25 and FY25 EPS*

Key Financial Ratios	FY24A	FY25A	FY26E	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	9.06	11.97	10.97	12.40	13.64	15.70	18.05	20.24
EPS Growth	43.0%	32.2%	-8.3%	13.0%	10.0%	15.2%	14.9%	12.1%
DPS (PKR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (PKR)	41.8	49.6	63.1	75.5	89.2	104.9	122.9	143.2
PER	10.2	7.7	8.4	7.4	6.8	5.9	5.1	4.6
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
P/B	2.2	1.9	1.5	1.2	1.0	0.9	0.8	0.6
ROE	24.1%	26.0%	19.0%	17.9%	16.6%	16.2%	15.8%	15.2%

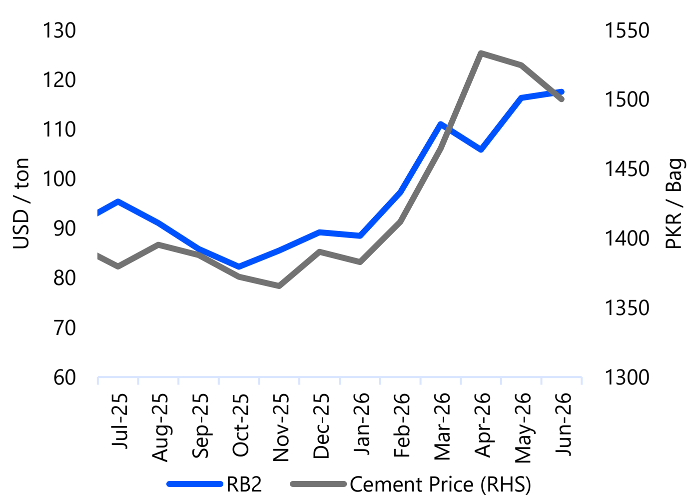
Source: Company Accounts, Akseer Research

Relative price performance of KOHC



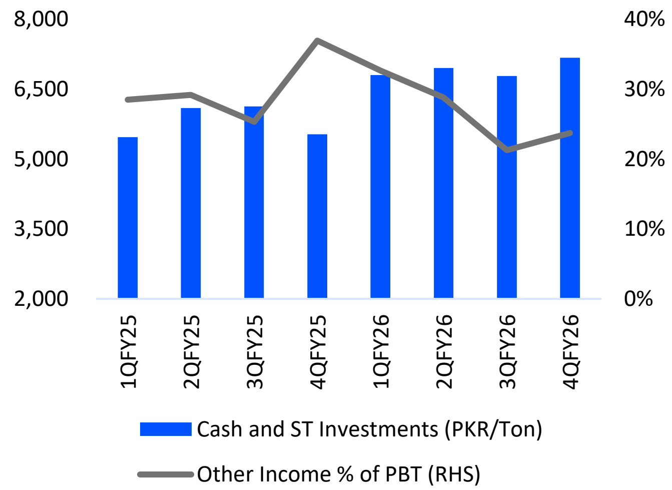
Source: Company Accounts, Akseer Research

Increase in RB2 reflecting on cement prices



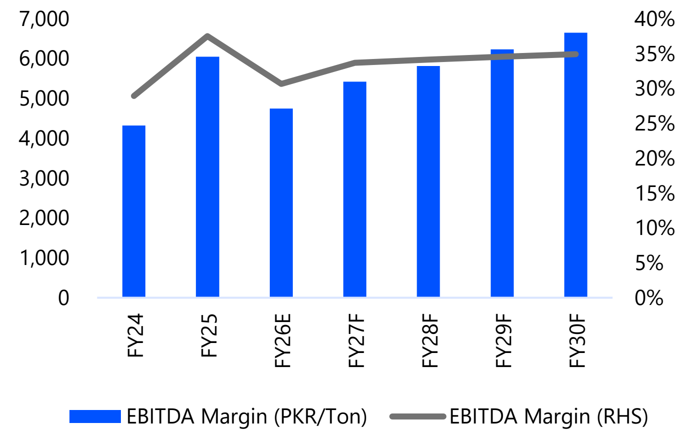
Source: Company Accounts, Akseer Research

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 11.7%, a beta of 1.10, a market risk premium of 6%, and cost of debt of 12.06% to arrive at WACC of 17%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our June-27 PT of PKR 125/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 commisisioning 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 Pakhtunkhuwa and has an annual cement production capacity of 5.1mn tons. The company also has a dedictaed 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	38,720	46,201	49,455	56,178	63,897	71,026
Cost of Sales	27,391	22,814	25,640	29,664	32,185	37,031	42,655	48,183
Gross Profit	**11,256**	**14,722**	**13,080**	**16,537**	**17,270**	**19,146**	**21,241**	**22,843**
Other Expenses	1,257	1,906	1,930	2,222	2,344	2,565	2,809	3,021
Operating Profit (EBIT)	**9,999**	**12,816**	**11,150**	**14,315**	**14,927**	**16,582**	**18,432**	**19,822**
Other Income	4,454	5,281	4,115	4,237	5,400	6,744	8,293	10,083
Finance Cost	677	350	185	462	427	410	393	375
Profit before tax (PBT)	**13,776**	**17,747**	**15,079**	**18,090**	**19,899**	**22,916**	**26,333**	**29,530**
Taxation/Levies	4,883	6,172	4,994	6,693	7,363	8,479	9,743	10,926
Profit after tax (PAT)	**8,893**	**11,575**	**10,086**	**11,397**	**12,536**	**14,437**	**16,590**	**18,604**
EPS (PKR)	9.06	11.97	10.97	12.40	13.64	15.70	18.05	20.24
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	26,585	27,181	27,812	28,481	29,190	29,941
Other LT assets	4,474	4,820	4,625	4,625	4,625	4,625	4,625	4,625
Non-current assets	26,631	28,180	31,210	31,805	32,436	33,105	33,814	34,566
Current assets	32,212	38,615	46,345	57,764	70,219	85,175	102,456	121,682
Total assets	**58,843**	**66,794**	**77,555**	**89,569**	**102,656**	**118,280**	**136,271**	**156,249**
Non-current liabilities	6,657	7,177	6,723	6,582	6,442	6,302	6,162	6,022
Current liabilities	11,096	11,662	12,791	13,548	14,239	15,567	17,107	18,622
Total liabilities	**17,753**	**18,839**	**19,514**	**20,131**	**20,681**	**21,869**	**23,269**	**24,644**
Equity	41,090	47,955	58,041	69,438	81,974	96,411	113,001	131,605
Total equity & liabilities	**58,843**	**66,794**	**77,555**	**89,569**	**102,656**	**118,280**	**136,271**	**156,249**

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Operating Profit After Tax	6,455	8,359	6,801	9,018	9,404	10,446	11,612	12,488
Non-Cash Charges	1,183	1,265	1,404	1,432	1,518	1,609	1,705	1,807
Operating Cash Flow	8,374	11,316	7,699	10,242	10,850	11,898	13,139	14,139
FCFF	**7,265**	**8,848**	**3,070**	**8,215**	**8,701**	**9,621**	**10,725**	**11,579**
Financial Charges (1-T)	(437)	(228)	(113)	(291)	(269)	(258)	(247)	(236)
Net Borrowing	(1,088)	2	1,903	(486)	(140)	(140)	(140)	(140)
FCFE	**5,739**	**8,621**	**4,860**	**7,438**	**8,292**	**9,222**	**10,337**	**11,203**
Closing Cash	**1,103**	**1,451**	**2,769**	**12,877**	**24,570**	**38,041**	**53,603**	**71,159**

Source: Company Accounts, Akseer Research

Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

Valuation Methodology

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.

Ratings Criteria

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%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

Research Dissemination Policy

The JV endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Contact Details

Akseer Research (Pvt) Limited
1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com

Alpha Capital (Pvt) Limited
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alphacapital.com.pk

www.jamapunji.pk