

KOHC - FY21 clocks in at PKR 17.41/share; no payout

- KOHC announced its full year results today where the company reported earnings of PKR 17.41/share for FY21 compared to net loss of PKR 2.21/share in FY20.
- The company did not announce any dividend along with the results as against our forecast of PKR 2.0/share.
- Topline of the company witnessed multifold growth of 1.13x and settled at PKR 24.0bn primarily on the back of higher dispatches (+60% YoY) and improved prices (up 33% YoY).
- Rising international coal prices accompanied with higher YoY dispatches contributed to rising cost of sales during FY21 which grew by 60% YoY to PKR 18.1bn.
- However, the company managed to pass on the rising coal prices impact which along with higher sales led to gross margins accretion of 25pps to 24.8% compared to negative margins of 0.2% in FY20.
- Selling & admin expenses grew 35% YoY to PKR 408mn in FY21 on the back of higher local sales and exports.
- Finance cost of the company came down by 26% YoY in FY21 mainly because of low interest rates during the year.
- During 4QFY21, the company recorded earnings of PKR 4.81/share supported through surge in sales and reduced finance cost.
- Moreover, the bottomline during 4QFY21 received support through 42% YoY reduction in the finance cost and 3.1x growth in other income which led the profit before tax into positive territory at PKR 1.35bn compared to loss of PKR 160mn in the comparable year.
- We have a 'BUY' recommendation on KOHC. Our revised Dec-21 price target (PT) of PKR 290/share provides an upside of 36%.

Key Data

PSX Ticker	KOHC
Target Price (PKR)	290
Current Price (PKR)	213
Upside/(Downside) (%)	+ 36%
Dividend Yield (%)	0%
Total Return (%)	+ 36%
12-month High (PKR)	262
12-month Low (PKR)	166
Outstanding Shares (mn)	200.86
Market Cap (PKR mn)	43,187
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	4QFY20	4QFY21	YoY	FY20	FY21	YoY
Net Sales	2,727	6,237	129%	11,300	24,057	113%
Cost of Sales	2,697	4,608	71%	11,325	18,092	60%
Gross Profit	30	1,629	5339%	(24)	5,965	NM
Selling & Admin. Exp	71	117	65%	303	408	35%
Other Income	15	61	301%	196	171	-13%
Other Charges	2	93	4025%	16	325	1877%
Finance cost	214	124	-42%	410	517	26%
Profit before tax	(243)	1,356	NM	(557)	4,886	NM
Taxation	(82)	391	NM	(114)	1,388	NM
Net Income	(160)	966	NM	(444)	3,497	NM
EPS	(0.80)	4.81	NM	(2.21)	17.41	NM
DPS	-	-	-	-	-	-

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
EPS	14.8	12.3	(2.2)	17.4	21.0	37.4
EPS Growth	-16%	-17%	NM	NM	21%	78%
DPS	5.0	2.5	-	-	6.3	11.3
PER	16.0	19.3	NM	13.6	11.3	6.4
Dividend Yield	2.1%	1.1%	0.0%	0.0%	2.6%	4.7%
EV/EBITDA	6.8	11.5	113.9	7.4	6.6	5.1
P/B	2.0	2.4	2.5	2.1	1.8	1.5
ROE	17.9%	13.1%	-2.3%	17.1%	17.6%	25.9%

Source: Company Accounts, Akseer Research

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Valuation Basis

Our PT for Kohat Cement Company Limited (KOHC) has been computed using Free cash flow to equity (FCFF) method. We have used a risk free rate of 11%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-21 PT of 290/share. Our price target provides an upside of 36%. Our investment case on KOHC is based on (1) normalcy in economic activity post lockdowns (2) boom in construction sector and (3) improved retention prices.

Risks

Key downside risks to our investments thesis are: (1) higher than anticipated increase in input cost (Coal, FO, Gas) (2) lower than anticipated growth in cement demand (3) higher than estimated decline in cement prices (4) prolonged pandemic situation and (5) increase in interest rates.

Company Description

Kohat Cement Company Limited produces and sells cement in Pakistan and Afghanistan. It offers ordinary Portland grey cement and white Portland cement. The company was incorporated in 1980 and is headquartered in Lahore, Pakistan. Kohat Cement Company Limited is a subsidiary of ANS Capital (Private) Limited.

Financial Highlights - KOHC

Income Statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
Net sales	13,439	15,646	11,300	24,057	30,301	34,912
Cost of sales	9,086	11,440	11,325	18,092	23,289	22,996
Gross Profit	4,353	4,206	(24)	5,965	7,012	11,915
SG & A	328	372	303	408	387	432
Operating Profit	4,025	3,834	(327)	5,558	6,625	11,483
Other income	362	349	196	171	252	276
Other charges	310	460	16	325	343	595
Finance cost	107	46	410	517	580	583
Profit before tax	3,970	3,676	(557)	4,886	5,955	10,581
Taxation	990	1,207	(114)	1,388	1,727	3,069
Profit after tax	2,980	2,469	(444)	3,497	4,228	7,513

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
PPE	9,113	21,874	22,778	25,108	32,241	53,303
Other LT assets	3,797	3,835	3,741	3,786	3,814	3,847
Non-Current Assets	12,910	25,709	26,519	28,895	36,054	57,150
Current assets	10,407	5,606	5,358	9,402	10,437	11,435
Total Assets	23,317	31,315	31,877	38,297	46,491	68,585
Non-Current liabilities	1,661	6,118	6,924	8,240	13,329	26,267
Current liabilities	3,679	5,524	6,227	7,833	7,263	10,212
Total Liabilities	5,340	11,642	13,150	16,073	20,592	36,479
Equity	17,977	19,674	18,727	22,224	25,899	32,106
Total Equity & liabilities	23,317	31,316	31,877	38,297	46,491	68,585

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	2,980	2,469	(444)	3,497	4,228	7,513
Non-cash Charges	526	589	798	1,226	1,483	1,547
Operating Cash flows	2,641	5,299	(467)	6,755	6,463	9,987
FCFF	1,143	(8,020)	(1,843)	3,569	(1,741)	(12,207)
Net borrowings	(484)	5,221	1,342	(216)	3,215	14,119
FCFE	578	(2,830)	(827)	2,983	1,062	1,498
Net change in cash	269	(3,602)	(1,330)	2,983	509	192
Closing cash	824	435	891	1,072	1,433	1,469

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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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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